

27<sup>th</sup> September, 2017

Corporate Relationship Department  
BSE Limited,  
1st Floor, New Trading Ring,  
Rotunda Building,  
Phiroze Jeejeebhoy Towers,  
Dalal Street, Fort, Mumbai - 400 001

The Manager, Capital Market (Listing)  
National Stock Exchange of India Limited  
Exchange Plaza,  
Bandra Kurla Complex,  
Bandra East,  
Mumbai - 400051

Scrip Code / ID : 524019 / KINGFA

Symbol : KINGFA

Dear Sirs,

**Re : 33<sup>rd</sup> Annual General Meeting of the Company held on 25<sup>th</sup> September, 2017**

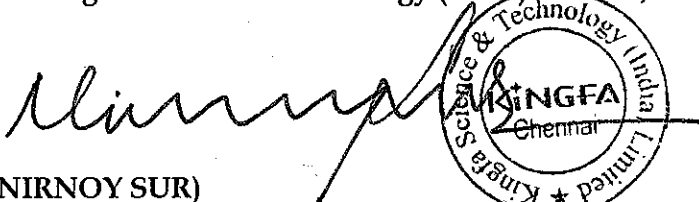
Please find enclosed Annual Report for the Financial Year 2016 - 17 as required under Regulation 34 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations duly approved and adopted by the members at the Annual General Meeting of the Company held on 25<sup>th</sup> September, 2017 at 11.30 a.m. at Raj Park Chennai, "Summit Hall", 180, T. T. K. Road, Alwarpet, Chennai - 600 018 as per the provisions of the Companies Act, 2013 alongwith Notice, Attendance Slip and Proxy Form.

Kindly take the same on record.

Thanking you,

Yours faithfully,

for Kingfa Science & Technology (India) Limited,



(NIRNOY SUR)

Company Secretary and Compliance Officer





**KINGFA** 金发科技(印度)有限公司  
KINGFA SCIENCE & TECHNOLOGY (INDIA) LIMITED

# 2016 - 2017 ANNUAL REPORT



**Board of Directors**

**Mr. Bo Jingen**, *Managing Director*  
**Mr. Wu Xiaohui**, *Whole-time Director*  
**Mr. N.K.Ramaswamy**, *Whole-time Director*  
**Mr. N.Subramanian**, *Independent Director*  
**Mr. Dilip Dinkar Kulkarni**, *Independent Director*  
**Ms. Nilima Ramrao Shinde**, *Independent Director (w.e.f. 01.11.2016)*  
**Ms. Kamana Srikanth**, *Independent Director (upto 24.10.2016)*

**Chief Financial Officer**

**Mr. Xie Dongming**

**Company Secretary**

**Mr. Nirnoy Sur** (w.e.f. 24.10.2016)

**Works**

RS No. 38/1, Sedarapet Industrial Area, Sedarapet, Puducherry - 605 111  
 G 34, Addl, Jejuri Industrial Area, Jejuri, Tal, Purandar, Pune - 412 303  
 Plot No - 406, Sector -8, IMT Manesar, Gurgaon - 122050, Haryana

**Registered Office**

Dhun Building, III Floor,  
 827, Anna Salai, Chennai - 600 002  
 Telephone : + 91 - 44 - 28521736  
 Fax : + 91 - 44 - 28520420  
 E-Mail : cs@kingfaindia.com  
 Website : www.kingfaindia.com  
 CIN : L25209TN1983PLC010438

**Statutory Auditors**

M/s. P. Srinivasan & Co.,  
 Chartered Accountants,  
 No. 6/24, Sambasivam Street,  
 T. Nagar, Chennai - 600 017.  
 Phone : +91 - 44 - 28151105  
 E-Mail : pscom@vsnl.net

**Cost Auditor**

Mr. K. Suryanarayanan  
 Cost Accountant  
 Flat A, Brindhavan Apartments,  
 No.1, Poes Road, 4th Street,  
 Teynampet, Chennai - 600 018.  
 Phone : +91 - 44 - 24328836  
 E-Mail : cwasuri@gmail.com

**Bankers**

Citibank N.A., Chennai – 600 002  
 The Hongkong and Shanghai Banking Corporation Limited, Chennai – 600 086  
 State Bank of India, Chennai – 600 001  
 Industrial and Commercial Bank of China Limited, Mumbai – 400 051

**Registrar & Share Transfer Agent**

M/s. Integrated Registry Management Services Private Limited  
 2nd Floor, Kences Towers,  
 No.1, Ramakrishna Street,  
 North Usman Road,  
 T. Nagar, Chennai - 600 017.  
 Telephone : +91 - 44 - 28140801 - 03  
 Fax : +91 - 44 - 28142479  
 E-Mail : yuvraj@integratedindia.in

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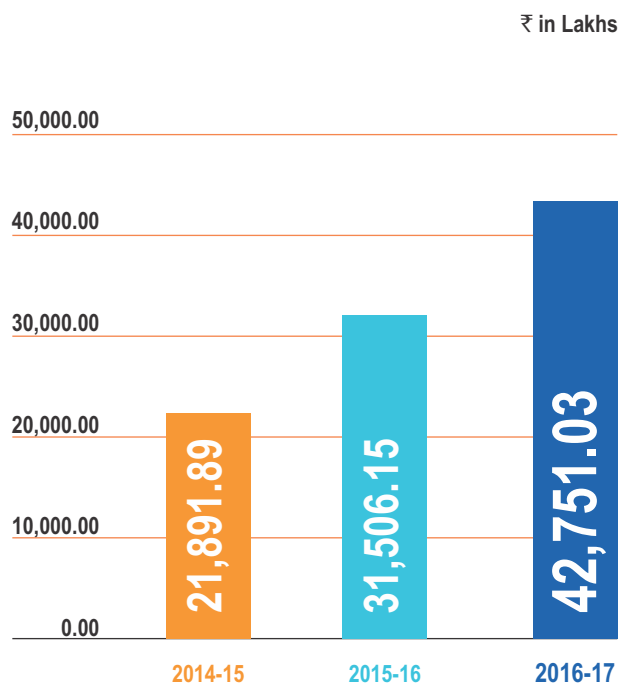
## FIVE - YEAR FINANCIAL DATA

(₹ in Millions)

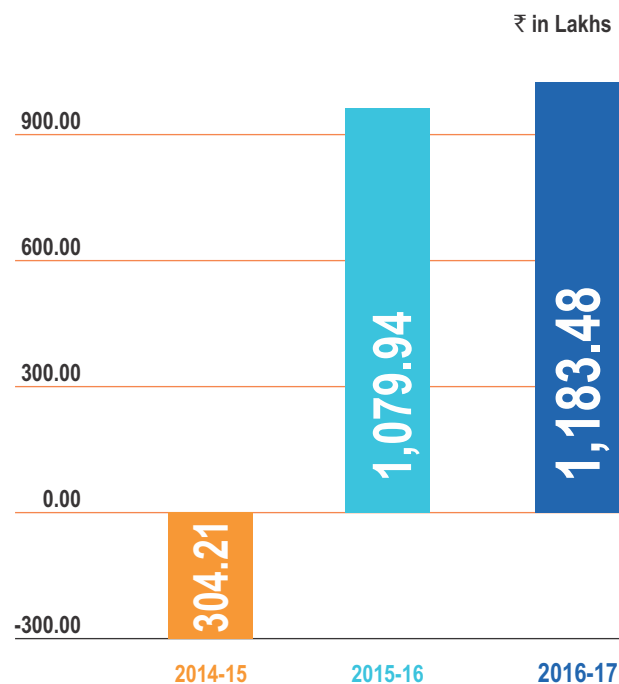
For the Year	2016-17	2015-16	2014-15	2013-14	2012-13
Sales : Domestic	4,825.695	3,557.465	2,409.968	1,980.945	1,754.307
Exports	6.550	2.486	5.809	3.251	2.329
Operating (Loss) / Profit (PBIDT)	190.394	275.329	65.817	(30.651)	26.863
Finance Cost	(10.505)	72.098	81.233	65.636	69.711
Depreciation and amortisation expense	30.542	29.393	31.418	26.573	28.185
Tax expenses - Current	38.200	20.111	-	-	-
- Deferred	13.809	45.732	(16.414)	(38.088)	(20.550)
Profit/(Loss) After Tax	118.348	107.994	(30.421)	(84.772)	(50.483)
<b>As at the end of the Year</b>					
Share Capital	101.106	101.106	64.072	64.072	64.072
Reserves & Surplus	1,211.516	1,093.168	17.557	49.835	134.607
Loan Funds	156.466	160.037	758.534	621.785	346.008
Gross Block	987.024	592.184	524.038	490.653	479.091
Net Current Assets	1,738.518	634.015	530.744	451.900	287.284
<b>Measures of Investment</b>					
Return on Capital Employed (%)	10.88%	18.16%	4.09%	-7.76%	-0.24%
Return on Equity (%)	9.02%	9.04%	-37.27%	-74.42%	-25.41%
Earnings per Share (₹)	11.71	13.55	(4.75)	(13.23)	(7.88)
Dividend Cover (Times)	-	-	-	-	-
Dividend (%)	-	-	-	-	-
Book Value of an Equity Share	129.827	118.12	12.74	17.78	31.01
<b>Of Performance</b>					
- Profitability (%)					
Profit/(Loss) before Tax (%)	3.99%	5.53%	-2.14%	-6.94%	-4.56%
Profit/(Loss) after Tax (%)	2.77%	3.44%	-1.39%	-4.79%	-3.24%
- Capital Turnover (times)	3.29	2.63	2.94	2.70	3.23
- Stock Turnover (times)	7.01	6.00	7.72	8.64	9.17
- Working Capital Turnover (times)	2.78	5.61	4.65	4.36	6.11
<b>Of Financial Status</b>					
- Debt-Equity Ratio (times)	0.12	0.13	1.84	1.05	0.25
- Current Ratio	1.88	1.67	0.92	0.97	0.97
- Fixed Assets to Shareholders' Funds (times)	0.57	0.24	3.13	2.15	1.30

## PERFORMANCE METRICS

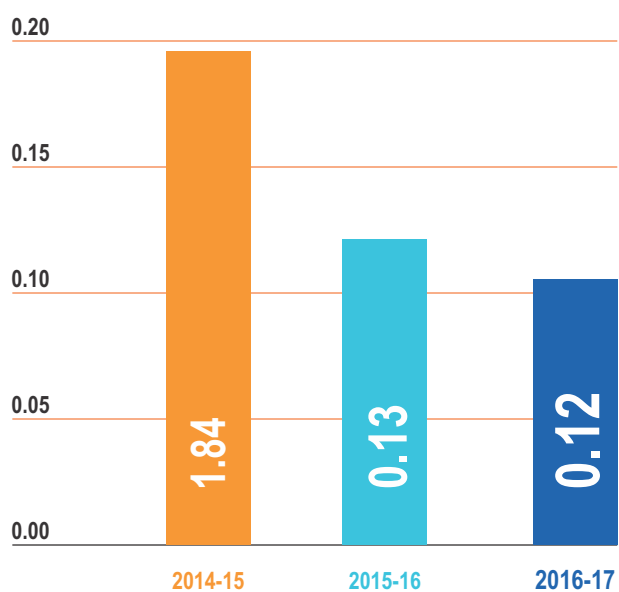
### Revenue



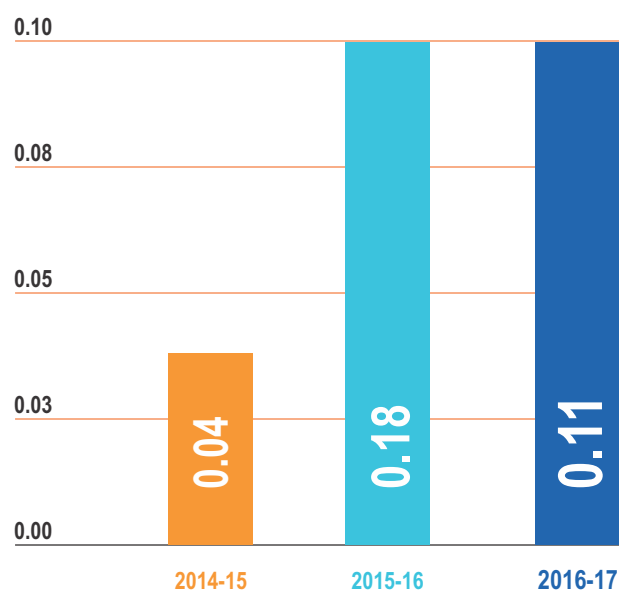
### PAT



### Debt-Equity Ratio



### Return on Capital Employed (%)



## Into the realm of Plastics .... with KINGFA

The saga of plastics, as per printed books, started with the first synthesis of Phenol-Formaldehyde by Leo Hendrik Baekeland under the trade name 'Bakelite' way back in the year 1907. He went on to collect 400 patents related to his invention. Bakelite was used to manufacture everything from telephone handsets, Radio cabinets and costume jewellery to bases and sockets for lights bulbs to automobile engine parts and other machinery components.



**Leo Baekeland (1863-1944) the plastics pioneer**

Much before this use of Cellulosic was known to the mankind. With the advent of PVC in 1927, there was no looking back. It was growth, growth and growth of plastics in every walks of life. PolyPropylene popularly abbreviated as PP came into existence in 1951.

Kingfa India's predecessor Hydro S&S started in 1987 with PP compounds. It was first used in chairs and then slowly found

itself as a leading supplier to the automobile industries in India. When Hyundai set up shop in India, it was our PP compounds that played a leading role to give shape to their interiors and exteriors - in bumper, in instrument panel, consoles, door trim and pillars. The later part of the last decade in 20th century and the first decade in 21st century saw us gaining foot hold in all the leading Auto OEMs of India.

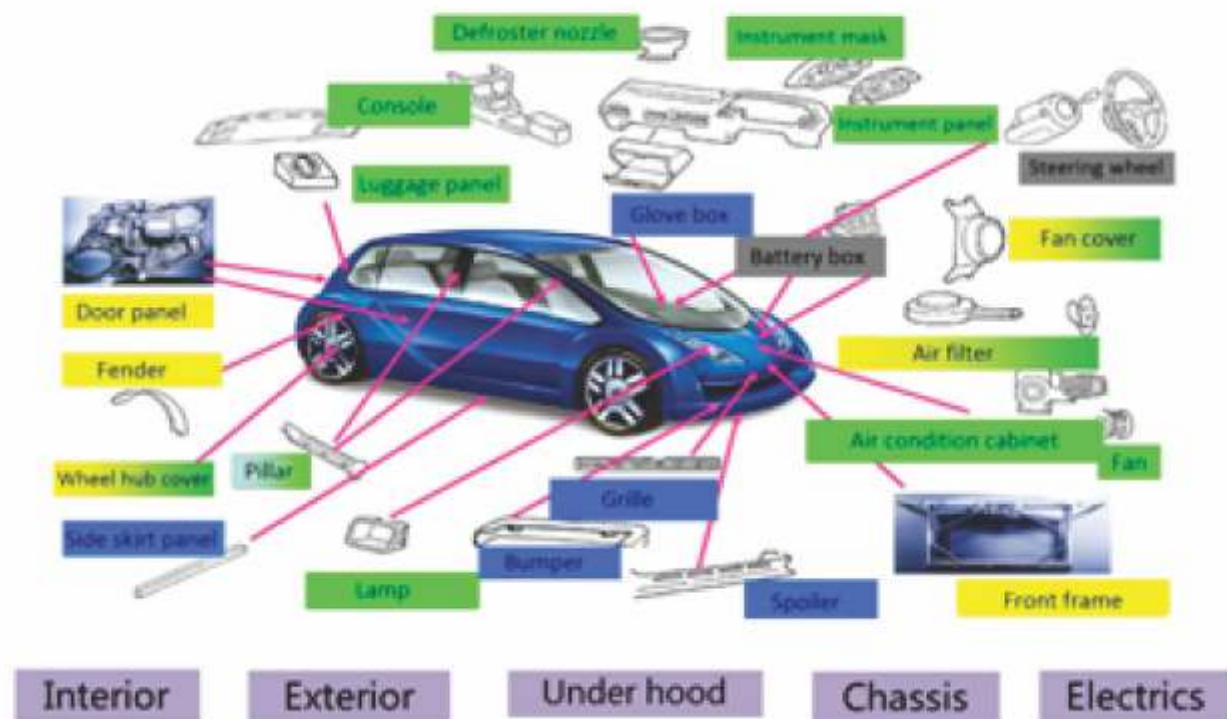
With the acquisition of Hydro S&S by Kingfa in 2013, the ball game changed. The basket expanded to include all modified plastics, from the commodity plastics, to engineering plastics as well as high performance exotic plastics. Name any plastic and Kingfa will offer the same.

Kingfa, with a rich history for R&D culture at its parent country China, brings all that development in a condensed form quickly to the users in India. With the Kingfa legacy of ploughing back income into research and development, no wonder, Kingfa India started churning out new products to different OEMs in auto and non-auto industries in a steady manner.

When you look at a car, the Bumpers, Grilles and the side panels are distinct for each vehicle. When you get into a passenger car, what strikes you most is the eye catching combination of the plastics parts in the Instrument panel, Pillars, Door panel and the consoles.

### 1.1 PP introduction-Automobile parts

**KINGFA**





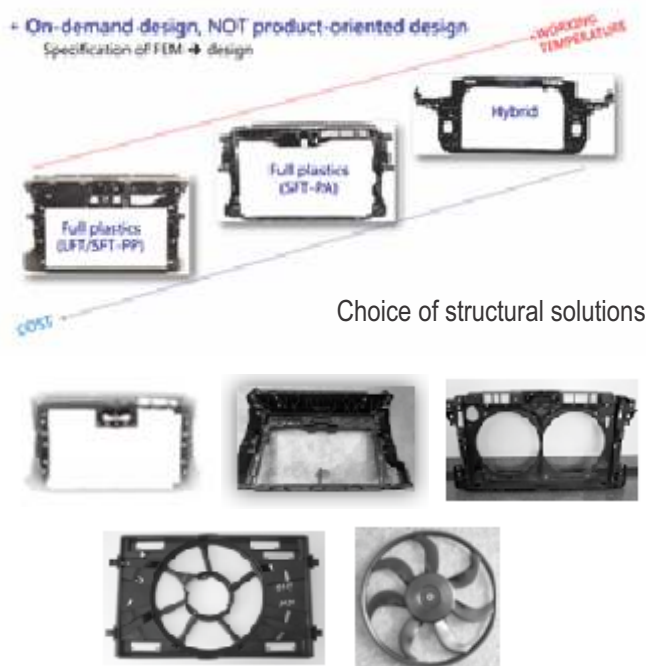
You feel safer riding the vehicle and also derive economic advantage with better mileage. Kingfa engineers these solutions for the four wheeler industry and offers ready-made material solution in the colour of their choice. Not only that, today, the painted parts are giving way to pre-coloured parts in different metallic shades thanks to the formulators at Kingfa. The material scientists at Kingfa look at all the aspects of a passenger vehicle's needs and offer solutions tailor made to each OEM – be it odour free interiors, sparking metallic shades, eye catching colour combinations, safety needs for the structural and functional parts, Kingfa is ready with the solution.

The paint-free material solutions from Kingfa does it's bit to promote environmental preservation in helping the car makers reduce their painting operations and thereby reducing their load on effluent treatment. India will see more pre-coloured components in cars in the coming years with ready-made paint-free material solution from Kingfa.



The modern day passenger cars are light in weight, thanks to the myriad of plastics that have replaced conventional materials over time. The light weighting concept continues to play a critical role in the choice of material solutions since it is the 'mantra' of fuel efficiency which is on the mind of every Indian going for his first car. Kingfa comes into picture to make this a reality for the car makers.

Under the bonnet of the car, you see a combination of metal and plastics parts occupying the space so tightly and part of the heat generated from the engine is all taken by these parts. The plastics that get into these spaces need to withstand all that heat. Kingfa offers heat resistant choices for the vehicles depending on the performance they need, be it a sedan, a hatchback, a SUV or MPV. The entire radiator assembly has parts made of very special hydrolysis resistant and heat resistant Polyamides which Kingfa offers to the industry. This entire radiator assembly snugly fits inside an assembly frame called 'Front End Module' or 'Bolster'. For long, it was the domain of metals and the auto industry soon realised the need to optimise the performance and productivity. What else to look at. Kingfa has the solution in the form of Long Fiber reinforced Poly Propylene, Short fibre reinforced Polyamides and a combination solution depending upon the performance need of the car.



Today the electrical cars have become a reality and the future offering will be more of hybrid and e cars. As we move towards electric cars, the need for long lasting and larger batteries will gain focus. As the sizes of the batteries go up to store more power, it will also add to the weight of the vehicle. Performance plastics from Kingfa are ready to take on this challenge to make the electric cars lighter.



In the Indian auto industry, almost all OEMs use material solution from Kingfa. And the non-auto industry is following suit.

All that painted sheet metal casing of the water heaters and washing machines are now being replaced by High gloss offerings from Kingfa. The appliances industry is focussing a lot on the safety features. Many of the parts that come into contact with electricity needs to be flame proof in the sense, they should stop burning when the source of fire is removed. When a short circuit happens, as soon as the circuit gets cut off, the spark goes off and so should be the flame. The internal mechanisms have parts made of Flame retardant plastics and Kingfa has multiple solutions for the same.

The slim LED TV that we see today are made possible with glossy and stronger plastics frames. Even the cookers of today are made of plastics that assure all the safety needs. Kingfa is very much there.





The lighting industry uses more and more plastics today. The incandescent lamps are replaced by CFL which in turn is giving way to LED. The LED lamps save current and the use has been on the rise multi-fold. The outer cover for these used metals since the heat generated has to be conducted out of the system. Today Kingfa has conductive plastics to give lasting solution for these lamps. And to make the light from these bulbs to be soft on the eye, Kingfa has a special material that diffuses the light to makes it soft. Kingfa cares...

Today we are living in a world where it is difficult to isolate ourselves from plastics. The garbage and the so called ewaste are going up in volume. Each plastic waste that gets dumped on the ground is a cause for concern. While recycling is an option, the methods for collection and classification are yet to mature and grow to tackle to the levels of growth in plastics usage. One of the viable alternates is to make the plastic bio degradable. Kingfa, at it's R&D in China, has developed Bio Degradable Plastics for packaging application and successfully commercialised the same. This is a futuristic product that is bound to change the way we look at plastics in the generations to come.

Kingfa will continue to serve the society for the betterment of quality of life with it's continuing efforts in being the real **MATERIALS SOLUTION PROVIDER.**



## Research and Development



**Kingfa India has a strong belief in business growth through innovations which bring benefit to its customers and society.**

To achieve this, our sales and Technical team constantly interact with OEM's in automotive and Home appliances sector and their tier one and understand what are their current and future needs and development plan is derived based on these inputs.

As per the inputs from customers, we prioritize areas which bring cost benefit to customers and improvement in environment.

**Products which use solvents that may emit harmful chemicals into atmosphere (like painted parts).**

Many of the car parts both interiors like IP bezel which houses entertainment and navigation, IP garnish in piano black/metallic shades to enhance appearance, Gear shift bezels, Door trim garnish and steering column garnish and Exteriors like Tail gate garnish, body side garnish, ORVM, Radiator grills, Bumper bottom chin etc.

Normally these parts are painted to enhance appearance and scratch resistance and make it weather able.

Many OEMs showed interest in using precolored materials which can eliminate painting or any other secondary operations on parts.

These applications need weathering, scratch resistance, high impact and high gloss which are very challenging to achieve in any particular plastics.

Kingfa did exhaustive R&D on these and came out with products which can meet most of the requirements except high impact. The products have medium impact strength.

These products are based on blends of multiple polymers. With Advanced blending and alloying technology we are able to deliver material and meeting the performance requirements of the OEM's.

These grades bring good gloss, adequate weathering, scratch resistance and Impact.



Apart from interior applications there are exterior applications which are painted in metallic silver shades.

Kingfa developed grades which can eliminate painting and bring the special effect and reasonable gloss.



These products have

Excellent weatherability

Good gloss

Minimised flow marks

Excellent specular effect.

These grades were developed using proper selection of raw materials, compounding and colour matching skills.



#### **Component cost reduction through innovation in material:**

Automotive OEMs are looking for all possible opportunities to reduce the component cost as the competition in India is severe and growth is less than 10% .

Kingfa took lot of efforts to provide solution for customers through

Density reduction

Cycle time reduction

Wall thickness reduction.

The current density of polypropylene grades used in cars is 1.04 g/cc and it is a challenge to achieve the same stiffness/Impact strength by reducing density alone.

Similar challenge is posed when MFI is increased keeping the same impact strength/stiffness/HDT and shrinkage.

However, Kingfa India used its R&D resources and able to develop grades meeting new expectations of OEMs thereby help them achieving lesser cycle time, lower wall thickness and lesser component weight.

#### **Flame retardant Polypropylene with V0 rating and lower density :**

FR PP is widely used in Telecom batteries. The normal PP grade with V0 rating had higher density of 1.15 to 1.20. Kingfa able to develop a V0 grade with 1.05 density retaining the V0 rating and other properties.

#### **Instrument panel in passenger cars :**

IP in car is an important part which houses various parts like A/C Ducting, Music System, Navigation, Steering Column, Air Bags and Glove Boxes and also provides safety to passengers in case of collision by deploying air bags.

Modified polypropylene is widely used for making car IP. A typical IP grade has a density of 1.05 g/cc which necessitates addition of 20% Talc in the grade. However Talc has a negative effect in scratch resistance. As IP is subjected to lot of abuse by customers, scratch resistance is an important requirement. Painting would help but expensive and poses environmental concerns.

To overcome this issue and also reduce part weight, Kingfa developed a low density PP grade for IP application without compromising the part requirements. This is being evaluated with different OEMs.



## DIRECTORS' REPORT

Your Directors hereby present their 33<sup>rd</sup> Annual Report along with Audited Financial Statements for the year ended March 31, 2017.

### FINANCIAL RESULTS

(₹ in Lacs)

Particulars	Year Ended March 31, 2017		Year Ended March 31, 2016	
<b>Revenue from Operations</b>				
Gross		48,322.45		35,599.51
Net of Excise Duty		42,712.63		31,416.81
Other Income		38.40		89.34
<b>Profit before Finance Costs &amp; Depreciation and amortisation expense</b>		1,903.94		2,753.29
Finance Costs		(105.05)		720.98
<b>Profit before Depreciation and amortisation expense</b>		2,008.99		2,032.31
Depreciation and amortisation expense		305.42		293.93
<b>Profit before Tax</b>		1,703.57		1,738.38
Tax expenses - Current Tax	382.00		201.11	
- Deferred Tax	138.09	520.09	457.32	658.43
<b>Profit after Tax</b>		1,183.48		1,079.95
Balance brought forward		(490.58)		(1,570.53)
<b>Surplus / (Deficit) carried forward</b>		692.90		(490.58)

### BUSINESS OPERATIONS

Your Company reported a top-line growth of 35.74% over the Previous Year. The Gross Revenue from operations stood at ₹ 48,322.45 lacs compared with ₹ 35,599.51 lacs in the Previous Year. The Operating Profit before tax stood at ₹ 1,703.57 lacs as against ₹ 1,738.38 lacs in the Previous Year. The Net Profit for the year stood at ₹ 1,183.48 lacs against ₹ 1,079.95 lacs reported in the Previous Year.

The company continues to retain and reinforce its market leadership in modified thermoplastics with a pan India network of operations having plants and warehouses situated in auto hubs and industrial belts.

There are no material changes or commitments affecting the financial position of the Company which have occurred between the end of the financial year and the date of this Report.

Detailed analysis of the Company's performance during the year is provided in Annexure to this report under Management's Discussion and Analysis Report.

### DIVIDEND

Though the operations for the year have generated a profit, in view of the carryover loss of the earlier years in the Profit and

Loss account, your Directors regret that they are unable to recommend any dividend on the Equity Share Capital for the year under review.

### RESERVES

As on March 31, 2017 the reserves and surplus stood at ₹ 12,115.16 Lacs as compared to ₹ 10,931.68 Lacs as on March 31, 2016.

### RIGHTS ISSUE OF EQUITY SHARES

The Company in order to augment resources for its long term funds requirement of the Company has gone for Rights Issue of Equity Shares to finance the ongoing project of Setting up of a new facility at Chakan, Pune, Upgradation of R & D facility at the existing set-up at Puducherry, Expansion of facility at the existing set-up at Puducherry and Manesar and to meet the additional working capital requirement.

The Rights Issue got opened on March 27, 2017 and closed on April 10, 2017. The Company had issued 19,99,893 equity shares of face value ₹ 10/- each for cash at issue price of ₹ 750/- per equity share including share premium of ₹ 740/- per equity share in the ratio of 18 equity shares for every 91 equity shares held aggregating to ₹ 14999.20 Lacs, to the existing Shareholders of the Company.

**SHARE CAPITAL**

Consequent to the Rights Issue of Equity Shares, the paid up equity capital of the Company stood at ₹ 1211.05 lacs. The Company has not issued shares with differential voting rights nor granted stock options nor sweat equity.

**LISTING OF COMPANY'S EQUITY SHARES ON NATIONAL STOCK EXCHANGE**

Company Issued Equity Shares are admitted to dealing on the National Stock Exchange of India Limited (NSE) in the Capital Market Segment with effect from November 15, 2016 consequent to an application made with NSE by the Company. The Symbol of the Company at NSE is "KINGFA".

**STATUS OF NEW MANUFACTURING FACILITY**

The Company has taken over the possession of the Plot from Maharashtra Industrial Development Corporation and also signed the Lease Agreement of the said land situated at Chakan Industrial Area in Pune for setting up a green field manufacturing location, which will be capable of housing the capacity expansion in the medium term future. The location would also house a State of Art "Technical and Product Development" Centre to meet the growing needs of the Company.

**FIXED DEPOSITS**

Your Company has not accepted any deposits within the meaning of Section 73 of the Companies Act, 2013 and the Companies (Acceptance of Deposits) Rules, 2014.

**PARTICULARS OF LOANS, GUARANTEES OR INVESTMENTS**

The Company has not given any loans or guarantees nor has made any Investments covered under the provisions of Section 186 of the Companies Act, 2013.

**INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY**

The Company has an Internal Control System, commensurate with the size, scale and complexity of its operations. The scope and authority of the Internal Audit function is defined in the Internal Audit Manual. To maintain its objectivity and independence, the Internal Audit function reports to the Chairman of the Audit Committee of the Board and to the Managing Director.

The Internal Audit Department monitors and evaluates the efficacy and adequacy of internal control system in the Company, its compliance with operating systems, accounting procedures and policies at all locations of the Company. Based on the report of internal audit function, process owners undertake corrective action in their respective areas and thereby strengthen the controls. Significant audit observations and recommendations along with corrective actions thereon are presented to the Audit Committee of the Board.

**CORPORATE SOCIAL RESPONSIBILITY**

As a part of its initiative under the "Corporate Social Responsibility" (CSR) drive, the Company has undertaken projects which are in accordance with the Companies Act, 2013 and the Company's CSR policy. The Report on CSR activities as required under the Companies (Corporate Social Responsibility Policy) Rules, 2014 is annexed as Annexure – I and forms an integral part of this Report.

**ENVIRONMENT, HEALTH AND SAFETY**

The facilities of the Company renewed their ISO 14001 and OHSAS 18001 certification.

Your Company's policy require the conduct of all operations in such a manner so as to ensure safety of all concerned, compliance of statutory and industrial requirements for environment protection and conservation of natural resources to the extent possible.

As required by the Sexual Harassment of Women at Workplace (Prevention, Prohibition & Redressal) Act, 2013, the Company has formulated and implemented a policy on prevention of sexual harassment at the workplace with a mechanism of lodging complaints. The Company has not received any complaint under this policy during the year under review.

**INDUSTRIAL RELATIONS**

Industrial relations remained cordial during the year.

Various HR initiatives are continuously taken to align the HR policies to the growing requirements of the business. Reviews, training and tools are being provided for the personnel to improve overall efficiency.

**DIRECTORS****A. Changes in Directors and Key Managerial Personnel**

Ms. Kamana Srikanth has resigned as Director from the Board with effect from 24th October, 2016 due to her other occupations. The Board wishes to place on record its appreciation of the valuable service rendered by her during her tenure in the Company.

The Board appointed Ms. Nilima Ramrao Shinde as an Additional Director (Non-Executive, Independent Woman Director) of the Company with effect from 1st November, 2016 subject to the approval by the Shareholders at the ensuing Annual General Meeting.

Your Director, Mr. Wu Xiaohui retire by rotation and being eligible, offers himself for re-appointment.

Your Directors have re-appointed Mr. Bo Jingen as Managing Director and Mr. Wu Xiaohui as Whole-time Director of the Company for a further period of Three years with effect from 27th February, 2017 at their Meeting held on 13th February, 2017. The necessary resolutions are being placed before the shareholders for their approval.

Mr.Nirnoy Sur was appointed as Company Secretary and Compliance Officer of the Company with effect from 24th October, 2016 in the place of Mr.S.K.Subramanyan who has since superannuated.

### **B. Declaration by an Independent Director(s)**

All Independent Directors have given declarations that they meet the criteria of independence as laid down under Section 149(6) of the Companies Act, 2013 read with SEBI (LODR) Regulations, 2015.

### **FAMILIARIZATION PROGRAM FOR INDEPENDENT DIRECTORS**

All new Independent Directors inducted into the Board are familiarized with the Organisation. The details of such program are provided in Corporate Governance Report.

### **NUMBER OF MEETINGS OF THE BOARD**

The details of the number of Meetings of the Board held during the Financial Year 2016 – 17 forms part of the Corporate Governance Report.

### **COMMITTEES OF THE BOARD**

The details of the various Committees of the Board i.e. Audit Committee, Nomination and Remuneration Committee, Stakeholder Relationship Committee, Corporate Social Responsibility Committee and Rights Issue Committee held during the Financial Year 2016 – 17 are provided in the Corporate Governance Report.

### **BOARD EVALUATION**

Pursuant to the provisions of the Companies Act, 2013 and SEBI (LODR) Regulations, 2015 the Board has carried out performance evaluation of its own performance, the directors individually as well as the evaluation of the working of its Audit, Nomination & Remuneration and other Committees as required. The manner in which the evaluation has been carried out has been explained in the Corporate Governance Report.

### **NOMINATION AND REMUNERATION POLICY**

The Board of Directors has framed a policy which lays down a framework in relation to remuneration of Directors, Key Managerial Personnel and Senior Management of the Company. This policy also lays down criteria for selection and appointment of Board Members. The details of this policy are explained in the Corporate Governance Report.

### **SIGNIFICANT AND MATERIAL ORDERS PASSED BY THE REGULATORS OR COURTS**

There are no significant and material orders passed by the Regulators/Courts that would impact the going concern status of the Company and its future operations.

### **DIRECTORS' RESPONSIBILITY STATEMENT**

To the best of knowledge and belief and according to the information and explanations obtained by them, your Directors

make the following statement in terms of Section 134(3)(c) of the Companies Act, 2013:

- (i) that in the preparation of the Annual Accounts for the year ended 31st March, 2017, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- (ii) the directors had selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at March 31, 2017 and of the profit and loss of the Company for the year ended on that date;
- (iii) that the directors has taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- (iv) the annual accounts have been prepared on a "going concern" basis.
- (v) that the directors had laid down internal financial controls to be followed by the Company and that such internal financial controls are adequate and were operating effectively; and
- (vi) that the directors had devised proper systems to ensure compliance with the provisions of all applicable laws and that such system were adequate and operating effectively.

### **RELATED PARTY TRANSACTIONS**

All related party transactions that were entered into during the financial year were on arm's length basis and were in the ordinary course of business. The Policy has been uploaded on the website of the Company. Form AOC-2 is annexed herewith as Annexure - II and forms an integral part of this report.

### **SUBSIDIARY COMPANIES**

The Company does not have subsidiary.

### **WHISTLE BLOWER POLICY AND VIGIL MECHANISM**

In pursuant to the provisions of the Companies Act, 2013, a Whistle Blower Policy and Vigil Mechanism for Directors and Employees to report genuine concerns has been established. The Policy has been uploaded on the website of the Company.

### **PREVENTION OF INSIDER TRADING**

Pursuant to SEBI (Prohibition of Insider Trading) Regulations, 2015, the Company has formulated and adopted a Code for Prevention of Insider Trading and the same has been uploaded on the website of the Company.

### **STATUTORY AUDITOR**

Pursuant to the provisions of Section 139 of the Companies Act, 2013, and Rules made thereunder the term of office of



M/s.P.Srinivasan & Co., as the Statutory Auditors of the Company will conclude from the close of ensuing Annual General Meeting of the Company.

The Board of Directors places on record its appreciation to the services rendered by M/s.P.Srinivasan & Co., as the Statutory Auditors of the Company.

Subject to the approval of the Members, the Board of Directors of the Company has recommended the appointment of M/s. P.G.BHAGWAT, Chartered Accountants, (Firm Registration Number 101118W) as the Statutory Auditors of the Company pursuant to Section 139 of the Companies Act, 2013.

The Company has received confirmation regarding their consent and eligibility under sections 139 and 141 of the Companies Act, 2013 read with Companies (Accounts) Rules, 2014 for appointment as the auditors of the company.

The Auditors have also confirmed that they hold valid certificate issued by the Peer Review Board of the Institute of Chartered Accountants of India.

Accordingly, the Board recommends the resolution in relation to appointment of Statutory Auditors, for the approval by the shareholders of the Company. The necessary resolution is being placed before the shareholders for their approval.

There is no audit qualification for the year under review.

As per the provisions of the Companies Act, 2013, the Auditors Report forms part of Annual Report.

### SECRETARIAL AUDIT

Pursuant to the provisions of Section 204 of the Companies Act, 2013 and rules made thereunder, the Company had appointed M/s.Lakshmmi Subramanian & Associates, Practising Company Secretaries to undertake the Secretarial Audit of the Company. The Secretarial Audit Report is included as Annexure – III and forms an integral part of this Report. There is no secretarial audit qualification for the year under review.

### COST AUDIT

In compliance with the provisions of Section 148 of the Companies Act, 2013, the Board of Directors, on the recommendation of Audit Committee, has appointed Mr.K.Suryanarayanan, Cost Accountant (Registration Number 102347) as Cost Auditor to audit the cost accounts of the Company for the financial year 2017-18. As required under the Companies Act, 2013, a resolution seeking member's approval for the remuneration payable to the Cost Auditor forms part of the Notice convening the Annual General Meeting for their ratification.

### EXTRACT OF ANNUAL RETURN

The details forming part of the extract of the Annual Return in Form MGT-9 is annexed herewith as Annexure - IV.

### BUSINESS RISK MANAGEMENT

Business risk evaluation and management is an ongoing process within the Company. The Assessment is periodically examined by the Board.

### STATUTORY INFORMATION

The information on Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo pursuant to Section 134(3)(m) of the Companies Act, 2013, read with the Rule 8(3) of the Companies (Accounts) Rules, 2014 is given in Annexure – V to this Report.

The particulars of employees are not applicable since there are no employees drawing remuneration more than ₹ 96,00,000/- per annum (full year) or ₹ 8,00,000/- p.m. (part of the year).

All the dividends of the earlier years, which have remained unclaimed, have since been transferred to the Investor Education and Protection Fund at the expiry of the specified period(s) as required under Companies Act. Details of dividends remaining unclaimed as on 31.03.2017 are as under :

Year	Date of declaration	No. of Shareholders	Total Unclaimed Dividend (₹)	Due date for transfer to IEPF Account
2009 – 2010	No Dividend declared		N.A.	
2010 - 2011	29.09.2011	729	60,868.80	05.11.2018
2011 – 2012 to 2015 - 2016	No Dividend declared		N.A.	

### CORPORATE GOVERNANCE AND MANAGEMENT'S DISCUSSION & ANALYSIS REPORTS

The Corporate Governance and Management's Discussion & Analysis Report, which form an integral part of this Report, are set out as separate Annexures, together with the Certificate from the Auditors of the Company regarding compliance with the requirements of Corporate Governance as stipulated under various regulations of the SEBI (Listing Obligations and disclosure requirements) Regulations, 2015.

### ACKNOWLEDGEMENT

Your Directors wish to record their appreciation of the continued support and co-operation from your Company's customers, vendors, bankers and all other stakeholders. Your Company will continue to build and maintain strong links with its business partners.

The Directors sincerely appreciate the high degree of professionalism, commitment and dedication displayed by employees at all levels. The Directors also place on record their gratitude to the Members for their continued support and confidence.

**For and on behalf of the Board of Directors**

**BO JINGEN**

**N.K. RAMASWAMY**

**Managing Director**

**Director**

Place : Chennai

Date : 31st July, 2017

## ANNEXURE – I

**ANNUAL REPORT DETAILS OF THE CORPORATE SOCIAL RESPONSIBILITY(CSR) ACTIVITIES**

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 CSR Policy is available on the Company's website. The web link of the same is <http://www.kingfaindia.com>

The Company had proposed to undertake activities relating to, promoting health care including preventive health care and making available safe drinking water for the Financial Year 2016-17.

The activities and funding are monitored internally by the Company.

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

1. Mr. Dilip Dinkar Kulkarni,  
Chairman (Independent Director)
2. Mr. N.K.Ramaswamy, Member
3. Mr. Wu Xiaohui, Member

3. **Average net profit of the Company for last three Financial Years:**

The average Net Profit for the last three financial years is ₹13.81 lacs.

4. **Prescribed CSR Expenditure (two percent of the amount as in item 3 above).**

The Company is required to spend ₹0.2762 lacs towards CSR for the Financial Year 2016-17.

5. **Details of CSR spent during the Financial Year:-**

- a. Total amount to be spent for the financial year: ₹0.2762 lacs
- b. Amount unspent, if any : NIL
- c. Manner in which the amount spend during the financial year detailed below:

In accordance with the Company's CSR policy and in compliance with the Companies (Corporate Social Responsibility Policy) Rules, 2014, Kingfa Science & Technology (India) Limited has undertaken CSR projects. During the year under review the CSR Committee identified certain projects.

The details are as under :

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
S. 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 were undertaken	Amount outlay (budget) project or program wise	Amount Spent on the projects or programs sub-heads : (1) Direct expenditure on projects (2) overheads	Cumulative expenditure upto to the reporting period	Amount spent : Direct or through implementing agency
1.	Making available safe drinking water	Pure Drinking Water by donating Water Purifier to Students of the local school	Tal-Purandar, Dist - Pune."	₹ 0.3859 lacs	₹ 0.3859 lacs	₹ 0.3859 lacs	Direct ₹ 0.3859 lacs

6. In case the Company has failed to spend the two percent of the average net profit of the latest three financial years or any part thereof, the Company shall provide the reasons for not spending the amount in its Board report.  
Not applicable
7. Pursuant to the Companies (Corporate Social Responsibility Policy) Rules, 2014, we hereby confirm that the CSR Committee has implemented and monitored the CSR initiatives of Kingfa Science & Technology (India) Limited in line with CSR Objectives and Policy of the Company.

**For and on behalf of the Board of Directors**

**BO JINGEN**  
Managing Director

**DILIP DINKAR KULKARNI**  
Chairman of CSR Committee

Date : 31<sup>st</sup> July, 2017

Place : Chennai

## ANNEXURE - II

## Form No. AOC-2

(Pursuant to Clause (h) of Sub-Section (3) of Section 134 of the Act and Rule 8(2) of the Companies (Accounts) Rules, 2014)

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

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

(a) Name(s) of the related party and nature of relationship	:	NA
(b) Nature of contracts/arrangements/transactions	:	NA
(c) Duration of the contracts/arrangements/transactions	:	NA
(d) Salient terms of the contracts or arrangements or transactions including the value, if any	:	NA
(e) Justification for entering into such contracts or arrangements or transactions	:	NA
(f) Date(s) of approval by the Board	:	NA
(g) Amount paid as advances, if any:	:	NA
(h) Date on which the special resolution was passed in general meeting as required under first proviso to Section 188	:	NA

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

(a) Name(s) of the related party	Kingfa Sci. & Tech. Co., Ltd.	Shanghai Kingfa Sci And Tech Co. Ltd.	Jiangsu Kingfa Sci. & Tech. Advanced Material Co., Ltd	Hongkong Kingfa Development Co., Ltd.	Tianjin Kingfa Advanced Materials Co., Ltd	KINGFA Sci. & Tech. (Europe) GmbH
Nature of relationship	Holding Company	Associate Company	Associate Company	Associate Company	Associate Company	Associate Company
(b) Nature of contracts/arrangements/transactions	Buy / Sell	Buy / Sell	Buy / Sell	Buy / Sell	Buy / Sell	Buy / Sell
(c) Duration of the contracts / arrangements / transactions	01/04/2016 to 31/03/2017	01/04/2016 to 31/03/2017	01/04/2016 to 31/03/2017	01/04/2016 to 31/03/2017	01/04/2016 to 31/03/2017	01/04/2016 to 31/03/2017
(d) Salient terms of the contracts or arrangements or transactions including the value, if any:	Purchase / Sale of Materials 1,597.00 / 15.93	Purchase / Sale of Materials 23.21 / 46.80	Purchase / Sale of Materials 1,109.50 / Nil	Purchase / Sale of Materials Nil / Nil	Purchase / Sale of Materials 152.26 / Nil	Purchase / Sale of Materials Nil / 6.90
(e) Date(s) of approval by the Board, if any:	Since these RPTs are in the ordinary course of business and are at arms length basis, omnibus approval obtained from the Audit Committee at its Meeting held on 30/05/2016 and approval obtained from the Board at its Meeting held on 30/05/2016.					
(f) Amount paid as advances, if any:	Nil	Nil	Nil	Nil	Nil	Nil

For and on behalf of the Board of Directors

Place : Chennai  
Date : 31st July, 2017

BO JINGEN  
Managing Director

N.K.Ramaswamy  
Director

## ANNEXURE - III to Board's Report

## SECRETARIAL AUDIT REPORT

## For The Financial Year Ended On 31st March, 2017

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

To,

The Members,

## KINGFA SCIENCE &amp; TECHNOLOGY (INDIA) LIMITED

We have conducted the secretarial audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by Kingfa Science & Technology (India) Limited (hereinafter called the company). Secretarial Audit was conducted in a manner that provided us a reasonable basis for evaluating the corporate conducts/statutory compliances and expressing my opinion thereon.

Based on our verification of the Company books, papers, minute books, forms and returns filed and other records maintained by the company and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of secretarial audit, we hereby report that in our opinion, the company has, during the audit period covering the financial year ended on 31st March 2017, 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, 2017 according to the provisions of:

- (i) The Companies Act, 2013 (the Act) and the Rules made there under;
- (ii) The Securities Contract (Regulation) Act, 1956 (SCRA) and the Rules made there under;
- (iii) The Depositories Act, 1996 and the Regulations and Bye-laws framed there under to the extent of Regulation 55A;
- (iv) Foreign Exchange Management Act, 1999 and the Rules and Regulations made thereunder to the extent of Foreign Direct Investment, and External Commercial Borrowings;
- (v) The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act'):

- (a) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;
- (b) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015;
- (c) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009;
- (d) The Securities and Exchange Board of India (Share Based employee Benefits), 2014; **(Not applicable for the Audit Period)**.
- (e) The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act, 2013 and dealing with client.
- (f) The Securities Exchange Board of India (Issue and Listing of Debt Securities) Regulation, 2008 **(Not applicable for the Audit Period)**.
- (g) The Securities Exchange Board of India (Delisting of Equity Shares) Regulation, 2009 **(Not applicable for the Audit Period)**.
- (h) The Securities Exchange Board of India (Buyback of Securities) Regulation, 1998 **(Not applicable for the Audit Period)**.
- (i) The Securities Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulation, 2015

- (vi) I further report that, having regard to the compliance system prevailing in the Company on examination of the relevant documents and records in pursuance thereof, on test check basis, the company has complied with the following laws applicable specifically to the Company:

- (i) Factories Act, 1948
- (ii) Legal Metrology Act, 2009
- (iii) Negotiable Instruments Act, 1881
- (iv) Environment (Protection) Act, 1986
- (v) Water (Prevention and Control of Pollution) Act, 1981
- (vi) Air (Prevention and Control of Pollution) Act, 1974
- (vii) Hazardous Waste (Management and handling) Rules, 1989
- (viii) State Fire Safety Act
- (ix) Trademarks Act, 1999



We have also examined compliance with the Secretarial Standards notified by ICSI.

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

**We further report that** 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. However certain updates are currently being carried on to the system, for monitoring labour law compliances.

We further report that, the compliance by the Company of applicable finance laws like Direct and Indirect tax laws has not been reviewed in this audit since the same have been subject to review by Statutory Financial Audit and other designated professionals.

**We further report that:**

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

Adequate notice is given to all directors to schedule the Board Meetings, agenda and detailed notes on agenda, at least seven days in advance, and a system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting.

As per the minutes of the meeting duly recorded and signed by the Chairman, the decisions of Board of Directors or committee of the Board, as the case may be were unanimous and no dissenting views have been recorded.

**We further report that** during the audit period:

- (a) The Board of Directors had approved the Issue of 19,99,893 Equity shares of face value of ₹10 each on Rights Basis to its existing shareholders at an Issue Price of ₹ 750 each at its committee meeting held on 28th February, 2017.

For Lakshmmi Subramanian & Associates

Swetha Subramanian

ACS: 33222

CP No: 12512

Place : Chennai

Date : 31 July 2017

**“Annexure A”**

**(To the Secretarial Audit Report of M/s. KINGFA SCIENCE & TECHNOLOGY (INDIA) LIMITED for the financial year ended 31.03.2017)**

To

The Members

KINGFASCIENCE & TECHNOLOGY (INDIA) LIMITED

Our Secretarial Audit Report for the financial year ended 31 March 2017 is to be read along with this Annexure A.

1. Maintenance of Secretarial record is the responsibility of the management of the Company. Our responsibility is to express an opinion on these secretarial records based on our audit.
2. We have followed the audit practices and the processes as were appropriate to obtain reasonable assurance about the correctness of the contents of the secretarial records. The verification was done on test basic to ensure that correct facts are reflected in secretarial records. We believe that the processes and practices we followed provide a reasonable basic for our opinion.

3. We have not verified the correctness and appropriateness of financial records and Books of Accounts of the Company.
4. Where ever required, we have obtained the Management representation about the compliance and law, rules and regulation and happening of events etc.
5. The compliance of the provisions of Corporate and other applicable laws, rules, regulation, standards is the responsibility of the management. Our examination was limited to the verification of procedure on test basic.
6. The Secretarial Audit report is neither an assurance as to the future viability of the Company nor of the effectiveness with which the management has conducted the affairs of the Company.

For Lakshmmi Subramanian & Associates

Swetha Subramanian

ACS: 33222

CP No: 12512

Place : Chennai

Date : 31 July 2017

**FORM NO. MGT-9  
EXTRACT OF ANNUAL RETURN**

As on Financial Year ended on 31.03.2017

[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	:	L25209TN1983PLC010438
ii)	Registration Date	:	10th November, 1983
iii)	Name of the Company	:	Kingfa Science & Technology (India) Limited (formerly Hydro S & S Industries Limited)
iv)	Category/Sub-Category of the Company	:	Company Limited by Shares / Indian Non-government Company
v)	Address of the Registered office and contact details	:	Dhun Building, III Floor, 827, Anna Salai, Chennai – 600 002. Tel : +91 - 44 - 28521736, Fax : +91 - 44 - 28520420
vi)	Whether listed company	:	Yes
vii)	Name, Address and Contact details of Registrar and Transfer Agent, if any	:	M/s. Integrated Registry Management Services Pvt. Limited 2nd Floor, "Kences Towers", No. 1, Ramakrishna Street, North Usman Road, T. Nagar, Chennai - 600 017. Tel : +91 - 44 - 28140801 - 03, Fax No. : +91 - 44 - 28142479

**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 Products / services	% to total turnover of the company
1	Modified Thermoplastics	22209	100%

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

Foreign Holding and Associate Companies

Sl. No.	Name and Address of the Company	CIN / GIN	Holding / Subsidiary / Associate	% of shares held	Applicable Section
1.	Kingfa Sci. & Tech. Co., Ltd. No. 33, Kefeng Road, Science City, Guangzhou Hi-Tech Industrial Development Zone Guangzhou, China 510663	--	Holding Company	74.99%	Section 2 (46)
2.	Shanghai Kingfa Sci And Tech Co. Ltd. No. 88, Kangyuan Road, Zhujiajiao Industry Zone, Qingpu, Shanghai, China – 201 714	--	Associate Company	--	Section 2(6)
3.	Jiangsu Kingfa Sci.&Tech.Advanced Material Co., Ltd. No.388, Xijiang Road Kunshan, Economic & Technological Development Zone, Jiangsu, China	--	Associate Company	--	Section 2(6)
4.	Hongkong Kingfa Development Co., Ltd. Flat / RM 1211 12 / F Wealth Comm Ctr Kwong Wa Street, Mongkok, Hong Kong	--	Associate Company	--	Section 2(6)
5.	Tianjin Kingfa Advanced Materials Co., Ltd No : 1 Wei 7 Road, Tianjin Airport Economical Area, Tianjin, China	--	Associate Company	--	Section 2(6)
6.	KINGFA Sci. & Tech. (Europe) GmbH Kasteler Strabe 45, D - 65203 Wiesbaden, Germany	--	Associate Company	--	Section 2 (6)



## IV. Shareholding Pattern (Equity Share Capital Break-up as percentage of Total Equity)

## (i) Category-wise Shareholding

Category Code	Category of Shareholder	No. of shares held at the beginning of the year				No. of shares held at the end of the year				% Change during the year
		Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
A.	SHAREHOLDING OF PROMOTER AND PROMOTER GROUP									
(1)	Indian									
a)	Individual/Hindu Undivided Family	0	0	0	0.00	0	0	0	0.00	0.00
b)	Central Government / State Governments	0	0	0	0.00	0	0	0	0.00	0.00
c)	Bodies Corporate	0	0	0	0.00	0	0	0	0.00	0.00
d)	Financial Institutions / Banks	0	0	0	0.00	0	0	0	0.00	0.00
e)	Any other (Specify)	0	0	0	0.00	0	0	0	0.00	0.00
	Sub Total A(1)	0	0	0	0.00	0	0	0	0.00	0.00
(2)	Foreign									
a)	Individual (Non resident Individuals / Foreign individuals)	0	0	0	0.00	0	0	0	0.00	0.00
b)	Bodies Corporate	7582340	0	7582340	74.99	7582340	0	7582340	74.99	0.00
c)	Institutions	0	0	0	0.00	0	0	0	0.00	0.00
d)	Qualified Foreign Investor	0	0	0	0.00	0	0	0	0.00	0.00
e)	Any other (Specify)	0	0	0	0.00	0	0	0	0.00	0.00
	Sub Total A(2)	7582340	0	7582340	74.99	7582340	0	7582340	74.99	0.00
	Total shareholding of Promoter and Promoter Group (A)= (A)(1) +(A)(2)	7582340	0	7582340	74.99	7582340	0	7582340	74.99	0.00
B.	Public Shareholding									
(1)	Institutions									
a)	Mutual Funds / UTI	0	0	0	0.00	0	0	0	0.00	0.00
b)	Financial Institutions / Banks	0	200	200	0.00	989	200	1189	0.01	0.01
c)	Central Government/ State Governments	0	0	0	0.00	0	0	0	0.00	0.00
d)	Venture capital Funds	0	0	0	0.00	0	0	0	0.00	0.00
e)	Insurance Companies	0	0	0	0.00	0	0	0	0.00	0.00
f)	Foreign Institutional Investors	0	0	0	0.00	10000	0	10000	0.10	0.10
g)	Foreign Venture Capital Investors	0	0	0	0.00	0	0	0	0.00	0.00
h)	Qualified Foreign Investor	0	0	0	0.00	0	0	0	0.00	0.00
i)	Foreign Port Folio Investor - Corporate	702798	0	702798	6.95	573903	0	573903	5.68	(1.27)
j)	Any other	0	0	0	0.00	0	0	0	0.00	0.00
	Sub Total B(1)	702798	200	702998	6.95	584892	200	585092	5.79	(1.16)

## (i) Category-wise Shareholding cont....

Category Code	Category of Shareholder	No. of shares held at the beginning of the year				No. of shares held at the end of the year				% Change during the year
		Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
(2)	<b>Non-Institutions</b>									
a)	Bodies Corporate	145127	929	146056	1.44	192769	929	193698	1.92	0.47
b)	Individuals									
(i)	Individual Shareholders holding Nominal Share Capital upto ₹ 1 Lakh	841220	146733	987953	9.77	1124388	134506	1258894	12.45	2.68
(ii)	Individual Shareholders holding Nominal Share Capital in excess of ₹1 Lakh	575820	21588	597408	5.91	421260	21588	442848	4.38	(1.53)
c)	Qualified Foreign Investor	0	0	0	0.00	0	0	0	0.00	0.00
d)	<b>Any other</b>									
(i)	CLEARING MEMBER	690	0	690	0.01	8628	0	8628	0.09	0.08
(ii)	CORPORATE CM/TM - CLIENT MARGIN A/C	27269	0	27269	0.27	17983	0	17983	0.18	(0.09)
(iii)	CORPORATE CM/TM - CLIENT BENEFICIARY A/C	55674	0	55674	0.55	0	0	0	0.00	(0.55)
(iv)	CORPORATE CM/TM - COLLATERAL ACCOUNT	0	0	0	0.00	417	0	417	0.00	0.00
(v)	CORPORATE CM/TM - PROPRIETARY ACCOUNT	0	0	0	0.00	3651	0	3651	0.04	0.04
(vi)	CORPORATE BODY - LIMITED LIABILITY PARTNERSHIP	0	0	0	0.00	350	0	350	0.00	0.00
(vii)	LIMITED LIABILITY PARTNERSHIP	10180	0	10180	0.10	16667	0	16667	0.16	0.06
	<b>Sub Total B(2)</b>	<b>1655980</b>	<b>169250</b>	<b>1825230</b>	<b>18.05</b>	<b>1786113</b>	<b>157023</b>	<b>1943136</b>	<b>19.22</b>	<b>1.16</b>
	<b>Total Public Shareholding (B)= (B)(1)+(B)(2)</b>	<b>2358778</b>	<b>169450</b>	<b>2528228</b>	<b>25.01</b>	<b>2371005</b>	<b>157223</b>	<b>2528228</b>	<b>25.01</b>	<b>0.00</b>
	<b>TOTAL (A) + (B)</b>	<b>9941118</b>	<b>169450</b>	<b>10110568</b>	<b>100.00</b>	<b>9953345</b>	<b>157223</b>	<b>10110568</b>	<b>100.00</b>	<b>0.00</b>
C.	<b>Shares held by Custodians and against which Depository Receipts have been issued</b>									
1	Promoter and Promoter Group	0	0	0	0.00	0	0	0	0.00	0.00
2	Public	0	0	0	0.00	0	0	0	0.00	0.00
	<b>Grand Total (A) + (B) + (C)</b>	<b>9941118</b>	<b>169450</b>	<b>10110568</b>	<b>100.00</b>	<b>9953345</b>	<b>157223</b>	<b>10110568</b>	<b>100.00</b>	<b>0.00</b>

**(ii) Shareholding of Promoters**

Sl. No.	Shareholder's Name	Shareholding at the beginning of the year			Shareholding at the end of 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.	KINGFA SCI. AND TECH. CO. LTD	7582340	74.99	–	7582340	74.99	–
	<b>TOTAL</b>	<b>7582340</b>	<b>74.99</b>	<b>–</b>	<b>7582340</b>	<b>74.99</b>	<b>–</b>
							<b>0.00</b>

**(iii) Change in Promoters Shareholding**

Particulars	Shareholding at the beginning of the year		Increase / Decrease		Cumulative Shareholding during the year	
	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
Date wise increase / Decrease in Promoters Shareholding during the year KINGFA SCI. AND TECH. CO. LTD PAN : AAFCK0816Q <b>Opening Balance as on 01/04/2016</b> <b>Closing Balance as on 31/03/2017</b>	7582340	74.99	No change		7582340	74.99

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

Sl. No.	Shareholder's Name	Shareholding at the beginning of the year		Shareholding at the end of the year	
		No. of Shares	% of total shares of the Company	No. of Shares	% of total shares of the Company
1.	HONGKONG VICTORY INVESTMENT CO LIMITED	690298	6.83	567366	5.61
2.	V RAJKUMARI	220400	2.18	141357	1.40
3.	MITA DIPAK SHAH	102200	1.01	102575	1.02
4.	PARAM CAPITAL RESEARCH PVT LTD	80000	0.79	100000	0.99
5.	TANGUTOOR UDAYARAJ	50862	0.50	35035	0.35
6.	DARSHAN DILIP BABOO	35015	0.35	28952	0.29
7.	AMIT GUNCHANDRA MEHTA	26690	0.26	24169	0.24
8.	SEEMA YOGESH ASHER	17685	0.18	17585	0.17
9.	VINOD KUMAR SHARMA	30325	0.30	17200	0.17
10.	PRABHUDAS LILLADHER FINANCIAL SERVICES PVT. LTD.	1734	0.02	16999	0.17

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

Sl. No.	Shareholding of each Directors and Key Managerial Personnel	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
DIRECTORS					
1.	Mr. Bo Jingen, Managing Director				
	At the beginning of the year	-	-	-	-
	Date wise Increase / Decrease in Share holding during the year specifying the reasons for increase / decrease (e.g. allotment / transfer / bonus / sweat equity etc):	-	-	-	-
	At the End of the year	-	-	-	-
2.	Mr. Wu Xiaohui, Whole-time Director				
	At the beginning of the year	-	-	-	-
	Date wise Increase / Decrease in Share holding during the year specifying the reasons for increase / decrease (e.g. allotment / transfer / bonus/ sweat equity etc):	-	-	-	-
	At the End of the year	-	-	-	-
3.	Mr. N.Subramanian, Independent Director				
	At the beginning of the year	-	-	-	-
	Date wise Increase / Decrease in Share holding during the year specifying the reasons for increase / decrease (e.g. allotment / transfer / bonus / sweat equity etc):	-	-	-	-
	At the End of the year	-	-	-	-
4.	Mr. Dilip Dinkar Kulkarni, Independent Director				
	At the beginning of the year	-	-	-	-
	Date wise Increase / Decrease in Share holding during the year specifying the reasons for increase / decrease (e.g. allotment / transfer / bonus / sweat equity etc):	-	-	-	-
	At the End of the year	-	-	-	-
5.	Mr. N.K. Ramaswamy, WTD / Chief Executive Officer				
	At the beginning of the year	-	-	-	-
	Date wise Increase / Decrease in Share holding during the year specifying the reasons for increase / decrease (e.g. allotment / transfer / bonus/ sweat equity etc):	-	-	-	-
	At the End of the year	-	-	-	-
6.	Ms. Nilima Ramrao Shinde, Independent Director				
	At the beginning of the year	-	-	-	-
	Date wise Increase / Decrease in Share holding during the year specifying the reasons for increase / decrease (e.g. allotment / transfer / bonus/ sweat equity etc):	-	-	-	-
	At the End of the year	-	-	-	-

Sl. No.	Shareholding of each Directors and Key Managerial Personnel	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
KEY MANAGERIAL PERSONNEL					
1.	Mr. Xie Dongming, Chief Financial Officer				
	At the beginning of the year	-	-	-	-
	Date wise Increase / Decrease in Share holding during the year specifying the reasons for increase / decrease (e.g. allotment / transfer / bonus/ sweat equity etc):	-	-	-	-
	At the End of the year	-	-	-	-
2.	Mr. Nirnoy Sur, Company Secretary				
	At the beginning of the year	-	-	-	-
	Date wise Increase / Decrease in Share holding during the year specifying the reasons for increase / decrease (e.g. allotment / transfer / bonus/ sweat equity etc):	-	-	-	-
	At the End of the year	-	-	-	-

**V. INDEBTEDNESS**

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

(₹ In Lacs)

Particulars	Secured Loans excluding deposits	Unsecured Loans	Deposits	Total Indebtedness
<b>Indebtedness at the beginning of the financial year</b>				
i) Principal Amount	-	1591.87	-	1591.87
ii) Interest due but not paid	-	51.35	-	51.35
iii) Interest accrued but not due	-	144.44	-	144.44
<b>Total (i+ii+iii)</b>	<b>-</b>	<b>1787.66</b>	<b>-</b>	<b>1787.66</b>
<b>Change in Indebtedness during the financial year</b>				
• Addition	-	-	-	-
• Reduction	-	-97.76	-	-97.76
<b>Net Change</b>	<b>-</b>	<b>97.76</b>	<b>-</b>	<b>97.76</b>
<b>Indebtedness at the end of the financial year</b>				
i) Principal Amount	-	1556.16	-	1556.16
ii) Interest due but not paid	-	118.06	-	118.06
iii) Interest accrued but not due	-	15.69	-	15.69
<b>Total (i+ii+iii)</b>	<b>-</b>	<b>1689.90</b>	<b>-</b>	<b>1689.90</b>

**VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL****A. Remuneration to Managing Director, Whole-time Directors and/or Manager :**

(₹ in Lacs)

Sl. No.	Particulars of Remuneration	Name of MD / WTD / Manager			Total Amount
		Mr. Bo Jingen - MD	Mr. Wu Xiaohui - WTD	Mr. N.K.Ramaswamy - WTD / CEO	
1.	Gross salary				
	(a) Salary as per provisions contained in section 17(1) of the Income-Tax Act, 1961	18.00	16.80	54.63	89.43
	(b) Value of perquisites u/s 17 (2) Income -Tax Act, 1961	2.70	2.52	0.22	5.44
	(c) Profits in lieu of salary under section 17(3) Income-Tax Act, 1961	-	-	-	-
2.	Stock Option	-	-	-	-
3.	Sweat Equity	-	-	-	-
4.	Commission				
	- as % of profit	-	-	-	-
	- others, specify...	-	-	-	-
5.	Others, please specify	-	-	-	-
	Total (A)	20.70	19.32	54.85	94.87
	Ceiling as per the Act				204.41

**B. Remuneration to other directors :**

(₹ in Lacs)

Sl. No.	Particulars of Remuneration	Name of Directors				Total Amount
		Mr. N. Subramanian	Mr. Dilip Dinkar Kulkarni	Ms. Nilima Ramrao Shinde (*)	Ms. Kamana Srikanth (@)	
1.	Independent Directors					
	- Fee for attending board / committee meetings	2.15	1.75	0.55	0.60	5.05
	- Commission	-	-	-	-	-
	- Others, please specify	-	-	-	-	-
	Total (1)	2.15	1.75	0.55	0.60	5.05
2.	Other Non-Executive Director					
	- Fee for attending board / committee meetings	-	-	-	-	-
	- Commission	-	-	-	-	-
	- Others, please specify	-	-	-	-	-
	Total (2)	-	-	-	-	-
	Total (B) = (1+2)	2.15	1.75	0.55	0.60	5.05
	Total Managerial Remuneration					5.05
	Overall Ceiling as per the Act					204.41

(\*) Inducted from 01.11.2016

(@) Resigned w.e.f. 24.10.2016



## C. Remuneration to Key Managerial Personnel Other than MD / Manager / WTD

(₹ in Lacs)

Sl. No.	Particulars of Remuneration	Key Managerial Personnel			Total Amount
		Company Secretary Mr. S.K. Subramanyan (upto 24.10.2016)	Company Secretary Mr. Nirnoy Sur (w.e.f 24.10.2016)	CFO Mr. Xie Dongming	
1.	Gross salary				
	(a) Salary as per provisions contained in section 17(1) of the Income-Tax Act, 1961	15.46	6.50	15.00	36.96
	(b) Value of perquisites u/s 17(2) Income-Tax Act, 1961	-	-	2.25	2.25
	(c) Profits in lieu of salary under section 17(3) Income-Tax Act, 1961	-	-	-	-
2.	Stock Option	-	-	-	-
3.	Sweat Equity	-	-	-	-
4.	Commission				
	- as % of profit	-	-	-	-
	- others, specify...	-	-	-	-
5.	Others, please specify	-	-	-	-
	Total	15.46	6.50	17.25	39.21

## 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 (give Details)
<b>A. COMPANY</b>					
Penalty	-	-	-	-	-
Punishment	-	-	-	-	-
Compounding	-	-	-	-	-
<b>B. DIRECTORS</b>					
Penalty	-	-	-	-	-
Punishment	-	-	-	-	-
Compounding	-	-	-	-	-
<b>C. OTHER OFFICERS IN DEFAULT</b>					
Penalty	-	-	-	-	-
Punishment	-	-	-	-	-
Compounding	-	-	-	-	-

**ANNEXURE - V****Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo**

The information under Section 134(3)(m) of the Companies Act, 2013 read with Rule 8(3) of the Companies (Accounts) Rules, 2014 for the year ended March 31, 2017 is given here below and forms part of the Directors' Report.

**(A) CONSERVATION OF ENERGY****(a) Energy Conservation measures taken:**

1. Compressor changed from reciprocating to screw type for lower power consumption in Jejuri Plant.
2. In the shop floor, tube lights and plant highway light were replaced with LED lights amounting to 66% of reduction of electricity power in Manesar Plant.

**(b) Additional measures taken for reduction of consumption of energy:**

1. Products are redistributed among the line such that best throughput is achieved with the result of energy reduction per ton of production in all Plants.
2. Installed New Harmonic filter to improve power factor from 0.95 to 1.0 and also reduces MD, Losses & energy in Manesar Plant.

**(B) TECHNOLOGY ABSORPTION****a. Research and Development (R & D) :****(i) Specific areas in which R & D carried out by the Company**

Our key area of focus is to deliver the evolving requirements of the end-users of our material by developing newer formulations at optimal cost that would enable our end customers to produce great products. The requirements from the customers are material with greater strength, higher gloss, scratch resistant, environment friendly, processing flexibility among other requirements. Our R&D focus continues to develop grades which deliver these performance needs effectively and optimal cost.

**(ii) Expenditure on R & D (₹ in Lacs)**

(a) Capital	-	2.43
(b) Recurring	-	228.16
		-----
Total	-	230.59
		-----

**b. Technology Absorption, Adaptation and Innovation :**

Process innovation and novel manufacturing methods have enabled us to stretch the application areas of our materials /grades. More controls and

blending and mixing techniques introduced to stretch the properties and performance of our grades. This has been well received by our customers and we will continue to build and focus on this as we go forward.

**c. Imported Technology : Not applicable****(C) FOREIGN EXCHANGE EARNINGS & OUTGO****(₹ in Lacs)**

Foreign Exchange Earnings	-	65.50
Foreign Exchange Outgo	-	15,189.25

The Company is taking continuous steps to develop export markets as appropriate to the nature of its products.

The details of the above are given in the Notes forming part of Financial Statements.

**Disclosures required with respect to Section 197(12) of the Companies Act, 2013 :**

The ratio of the remuneration of each Director to the median employee's remuneration and such other details in terms of Section 197(12) of the Companies Act, 2013 read with rule 5 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014.

**(i) The ratio of the remuneration of each director to the median remuneration of the employees of the company for the financial year :**

Mr. Bo Jingen (Managing Director)	8.42:1
Mr. Wu Xiaohui (Whole-time Director)	7.86:1
Mr. N.K.Ramaswamy (WTD / Chief Executive Officer)	21.46:1

**(ii) The percentage increase in remuneration of each director, Chief Financial Officer, Chief Executive Officer, Company Secretary or Manager, if any, in the financial year:**

The percentage of increase in remuneration of each Whole-time Director, Chief financial Officer and Company secretary ranges from 0% to 10%.

**(iii) The percentage increase in the median remuneration of employees in the financial year:**

The percentage increase in the median remuneration of employees in the financial year is from 0% to 15%.

**(iv) The number of permanent employees on the rolls of company**

The total number of permanent employees in the Company is 156 as of 31.03.2017.

**(v) Affirmation that the remuneration is as per the remuneration policy of the company:**

YES

**For and on behalf of the Board of Directors**

Place : Chennai **BO JINGEN** **N.K. Ramaswamy**  
Date : 31st July, 2017 **Managing Director** **Director**

**CORPORATE GOVERNANCE REPORT**

The Directors present the Company's Report on Corporate Governance for the year ended March 31, 2017, in terms of Regulation 34(3) read with Schedule V of the SEBI (Listing Obligations and Disclosure Requirements, 2015 ("The Listing Regulations").

**1) Brief statement on Company's Philosophy on Code of Governance.**

The Company believes in usage of appropriate Corporate Governance policy to achieve the corporate goal of enhancing stakeholder value. The cornerstones of this policy include transparency, empowerment with accountability, respect for people and environment, compliance with law and to follow fair business practices with all its stakeholders. These principles being followed since inception, have helped the Company to build credibility with all its stakeholders.

The Company has adopted a code of conduct for Members of the Board and Senior Management Personnel. All Directors have affirmed in writing their adherence to the above code.

**2) Board of Directors**

**Composition**

The Board of Directors currently has a mix of Executive and Non-Executive Directors. The Board comprises a Managing Director, two Whole-time Directors (the Executive Directors) and three Non-Executive Directors. All three Non-Executive Directors are Independent Directors.

**Meetings**

During the year 2016 - 17, the Board met 4 times on 30th May, 2016, 29th July, 2016, 24th October 2016, 13th February, 2017. The last AGM was held on 15th September, 2016.

The following table gives the details of category of Board of Directors and their attendance at Board Meetings and last AGM and details of Memberships in other Boards and Board Committees as on 31st March, 2017.

Name of the Director	Category	No. of Board Meetings Attended	Attendance at the Last AGM	Directorships in other Boards		Committee(s) @ Membership (Inclusive of Kingfa India)	
				Directorships	Chairmanships	Memberships	Chairmanships
Mr. Bo Jingen	NI-EX	4	Yes	-	-	1	-
Mr. Wu Xiaohui	NI-EX	2	Yes	-	-	-	-
Mr. N.K.Ramaswamy	NI-EX	4	Yes	-	-	-	-
Mr. N. Subramanian	IN-NE	4	Yes	1	-	3	3
Mr. Dilip Dinkar Kulkarni	IN-NE	4	Yes	-	-	1	-
Ms. Nilima Ramrao Shinde(*)	IN-NE	1	N.A	-	-	2	-
Ms. Kamana Srikanth	IN-NE	2	No	Resigned effective from 24th October 2016			

NI – Non Independent NE – Non-Executive EX – Executive IN – Independent

(\*) Inducted from 01st November, 2016.

@ Memberships / Chairmanships of only Audit Committee and Stakeholders' Relationship Committee have been included. None of the Directors are related to each other.

## Independent Directors

The Non-Executive Independent Directors fulfil the conditions of independence specified in Section 149 of the Companies Act, 2013 and Regulation 16(b) of the Listing Regulations.

## Board Procedure

The Board is presented with information on matters pertaining to working of the Company for their consideration and approval, wherever required. Among others, this includes

- operating plans, capital budgets.
- quarterly results of the company.
- risks faced and steps taken to mitigate / minimize the risks, if any.
- minutes of meeting of audit committee and other committees.
- significant developments in the industrial and human relations front.
- materially important show cause, demand and penalty notices and prosecutions, if any.
- materially relevant defaults in financial obligations to and by the company or substantial non payment for goods sold by the company.
- foreign exchange exposure and steps taken by management to limit the risks of adverse exchange rate movement.
- details of any joint venture or collaboration agreement.
- proposals for diversification, investment, disinvestments and restructuring; and
- non-compliance with any regulatory or statutory provision or listing requirements as well as shareholder services.

## Information placed before the Board

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

## Familiarisation Programmes for Board Members

At the time of appointing a Director, a formal letter of appointment is given to him / her. The Director is also explained in detail the compliance required from him / her under the Companies Act, 2013, the Listing Regulations and other various

statutes. The Managing Director also has a one to one discussion with the newly appointed Director to familiarize him / her with the Company's operations.

The Board Members are provided with necessary information to enable them to familiarize themselves with the Company's procedures and practices. Periodic presentations are made to the Board on business and performance of the Company. The three Independent Directors visited the Puducherry Plant on 14th February, 2017 to know the process of production, understanding Kingfa work culture, better view of onsite activities and had meeting with the Plant peoples.

The details of such familiarization programmes for Independent Directors of the Company are posted on the website of the Company [www.kingfaindia.com](http://www.kingfaindia.com)

## 3) Audit Committee

### Terms of reference

The Audit Committee of the Company functions under the mandate stipulated under the SEBI( Listing obligations and disclosure requirements) Regulation, 2015 and the Companies Act, 2013 which includes reviewing and taking corrective actions as and when required, in consultation with the Internal Auditors.

### A. Powers of Audit Committee

The Audit Committee shall have powers, including the following:

- To investigate any activity within its terms of reference.
- To seek information from any employee.
- To obtain outside legal or other professional advice.
- To secure attendance of outsiders with relevant expertise, if it considers necessary.

### B. Role of Audit Committee

The role of the Audit Committee shall include the following:

1. Oversight of the Issuer's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
2. Recommending to the Board, the appointment, re-appointment and, if required, the replacement or removal of the statutory auditor and the fixation of audit fees.
3. Approval of payment to statutory auditors for any other services rendered by the statutory auditors.

4. Reviewing, with the management, the annual financial statements before submission to the board for approval, with particular reference to:
  - i. Matters required to be included in the Director's Responsibility Statement to be included in the Board's report in terms of clause (c) of sub-section 3 of section 134 of the Companies Act, 2013;
  - ii. Changes, if any, in accounting policies and practices and reasons for the same;
  - iii. Major accounting entries involving estimates based on the exercise of judgment by management;
  - iv. Significant adjustments made in the financial statements arising out of audit findings;
  - v. Compliance with listing and other legal requirements relating to financial statements;
  - vi. Disclosure of any related party transactions; and
  - vii. Qualifications in the draft audit report.
5. Reviewing, with the management, the quarterly financial statements before submission to the Board for approval;
6. Reviewing, with the management, the statement of uses / application of funds raised through an issue (public issue, rights issue, preferential issue, etc.), the statement of funds utilized for purposes other than those stated in the offer document / prospectus / notice and the report submitted by the monitoring agency monitoring the utilization of proceeds of a public or rights issue, and making appropriate recommendations to the Board to take up steps in this matter;
7. Reviewing, with the management, performance of statutory and internal auditors, adequacy of the internal control systems.
8. Reviewing the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit.
9. Discussion with internal auditors any significant findings and follow up there on.
10. Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the board.

11. Discussion with statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern.
12. To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non payment of declared dividends) and creditors.
13. To review the functioning of the Whistle Blower mechanism, in case the same is existing.
14. Approval of appointment of CFO (i.e., the whole-time Finance Director or any other person heading the finance function or discharging that function) after assessing the qualifications, experience & background, etc. of the candidate.
15. Carrying out any other function as is mentioned in the terms of reference of the Audit Committee.

Further, the Audit Committee shall mandatorily review the following information:

- Management discussion and analysis of financial condition and results of operations;
- Statement of significant related party transactions (as defined by the Audit Committee), submitted by management;
- Management letters / letters of internal control weaknesses issued by the statutory auditors;
- Internal audit reports relating to internal control weaknesses; and
- The appointment, removal and terms of remuneration of the Chief internal auditor shall be subject to review by the Audit Committee.

Presently, it comprises three Non-Executive Directors - all of whom are independent. The Members of the Committee have exposure to Finance, Accounts, Company Law and General Business Practices.

The composition of the Audit Committee was reconstituted as under with effect from 1st November, 2016:

- A) Mr. N.Subramanian – Chairman
- B) Mr. Dilip Dinkar Kulkarni – Member
- C) Ms. Nilima Ramro Shinde - Member from 01.11.2016
- D) Ms. Kamana Srikanth - Member till 24.10.2016

### Meetings

During the financial year 2016 - 17, four Audit Committee Meetings were held on 30th May, 2016, 29th July, 2016, 24th October, 2016 and 13th February, 2017.



**Attendance**

Name of Director	No. of Meetings Attended
Mr. N.Subramanian	4
Mr. Dilip Dinkar Kulkarni	4
Ms. Nilima Ramrao Shinde (Inducted from 01.11.2016)	1
Ms. Kamana Srikanth (Resigned effective from 24.10.2016)	2

**4) Nomination and Remuneration Committee****Terms of reference**

The Nomination and Remuneration (N&R) Committee has adopted a broad principles which, inter alia, deals with the manner of selection of Board of Directors.

The Non Executive Directors shall be of high integrity with relevant expertise and experience so as to have a diverse Board with Directors having expertise in the fields of manufacturing, marketing, finance, taxation, law, governance and general management.

In case of appointment of Independent Directors, the N&R Committee shall satisfy itself with regard to the independent nature of the Directors vis-à-vis the Company so as to enable the Board to discharge its function and duties effectively.

The N&R Committee shall ensure that the candidate identified for appointment as a Director is not disqualified for appointment under Section 164 of the Companies Act, 2013.

The N&R Committee shall consider the following attributes / criteria, whilst recommending to the Board the candidature for appointment as Director.

- i. Qualification, expertise and experience of the Directors in their respective fields;
- ii. Personal, Professional or business standing;
- iii. Diversity of the Board.

In case of re-appointment of Non Executive Directors, the Board shall take into consideration the performance evaluation of the Director and his engagement level.

**Remuneration**

The Non Executive Directors shall be entitled to receive remuneration by way of sitting fees, reimbursement of expenses for participation in the Board and Committee meetings.

A Non Executive Director shall be entitled to receive sitting fees for each meeting of the Board and Committee Meetings attended by him / her, of such sum as may be approved by the Board of Directors within the overall limits prescribed under the Companies Act, 2013. Criteria of making payments to Non-Executive Directors / Independent Directors is displayed on the Company's website viz. [www.kingfaindia.com](http://www.kingfaindia.com)

A Nomination and Remuneration Committee has been constituted to determine the quantum and components of the remuneration to be paid to the Managing Director / Whole-time Directors.

The Nomination and Remuneration Committee consists of four Directors, three of whom are Independent.

The composition of the Nomination and Remuneration Committee was reconstituted as under with effect from 1st November, 2016 :

- A) Mr. N.Subramanian – Chairman
- B) Mr. Bo Jingen - Member
- C) Mr. Dilip Dinkar Kulkarni - Member from 13.10.2016
- D) Ms. Nilima Ramrao Shinde - Member from 01.11.2016
- E) Ms. Kamana Srikanth - Member till 24.10.2016

**Meetings**

During the financial year 2016 - 17, one meeting of the Nomination and Remuneration Committee was held on 24th October, 2016.

**Attendance**

Name of Director	No. of Meetings Attended
Mr. N.Subramanian	1
Mr. Bo Jingen	1
Mr. Dilip Dinkar Kulkarni (with effect from 13.10.2016)	1
Mr. Kamana Srikanth (Resigned effective from 24.10.2016)	-

**Remuneration policy**

The Remuneration Committee determines and recommends to the Board, the quantum of remuneration including incentives and perquisites payable to Whole Time Directors / Directors of the Company as and when they come for review. The details of the policy is available on company website.

**Remuneration of Directors**

The compensation of the Managing Director / Whole-time Directors comprises of a fixed component plus commission / incentive. The Managing Director / Whole-time Directors are not paid Sitting fees for any Board / Committee Meetings attended



by them. The Agreements with the Managing Director / Whole-time Directors are contractual in nature.

The term of office of Mr. Bo Jingen as Managing Director and Mr. Wu Xiaohui as Whole-time Director expires on February 26, 2020 and both of them have consented to retire by rotation.

The term of office of Mr. N.K.Ramaswamy as a Whole-time Director, designated as Chief Executive Officer expires on November 12, 2018 and have consented to retire by rotation.

There are no stock options available / issued to any Director of the Company.

Details of Sitting fees paid per Meeting to Non-Executive Directors are as follows:

Board Meetings	₹ 30,000/-
Audit Committee Meetings	₹ 20,000/-
Nomination and Remuneration Committee Meetings	₹ 10,000/-

Stakeholder Relationship Committee Meetings	₹ 5,000/-
Corporate Social Responsibility Committee Meetings	₹ 5,000/-

The Board of Directors through resolution dated 13th December, 2016 increased the Sitting fees payable to the Non-Executive Directors / Independent Directors for Board Meeting from ₹ 20,000/- to ₹ 30,000/- and for Audit Committee from ₹ 10,000/- to ₹ 20,000/- for every meeting of the Board of Directors and Audit Committee attended by them.

The details of the remuneration paid / payable to the Directors for the year 2016 - 17 together with sitting fees paid and the shareholding held by the Non Executive Directors as on 31st March, 2017 are as under :

#### Managing Director / Whole-time Directors

(₹ in Lacs)

Name of Director	Salary	Commission	Performance Incentive	Total
Mr. Bo Jingen	20.70	-	-	20.70
Mr. Wu Xiaohui	19.32	-	-	19.32
Mr. N.K.Ramaswamy	46.12	-	8.73	54.85

#### Non-Executive Directors

Name of Director	Sitting fees paid for Board and Committee Meetings (₹ in Lacs)	Commission (₹)	Shares held in the Company (Nos.)
Mr. N.Subramanian	2.15	Nil	Nil
Mr. Dilip Dinkar Kulkarni	1.75	Nil	Nil
Ms. Nilima Ramrao Shinde ( * )	0.55	Nil	Nil
Ms. Kamana Srikanth ( # )	0.60	Nil	Nil

( \* ) Inducted from 01.11.2016

( # ) Resigned effective from 24.10.2016

No other remuneration is being paid by the Company to any of the Non - Executive Directors other than the sitting fees. No convertible instruments are held by the Non - Executive Directors.

#### Performance Evaluation

Pursuant to the provisions of the Companies Act, 2013 and Regulation 17 of the Listing Regulations, the Board has carried out the performance evaluation of its own performance, its Committees and Directors individually. A structured questionnaire was prepared covering various aspects of the Board's functioning such as adequacy of the composition of the

Board and its Committees, Board culture, execution and performance of specific duties, obligations and governance.

The performance evaluation of the Managing Director and the Non Independent Directors was carried out by the Independent Directors. The Directors expressed their satisfaction with the evaluation process.

**5) Stakeholder Relationship Committee****Terms of Reference**

The Board of Directors has constituted a Stakeholder Relationship Committee to approve the share transfers and other investor related matters and also to attend to the investor grievances.

The composition of the Stakeholder Relationship Committee was reconstituted as under with effect from 1st November, 2016 :

- A) Mr. N.Subramanian – Chairman
- B) Mr. Bo Jingen – Member
- C) Ms.Nilima Ramrao Shinde - Member from 01.11.2016

The Compliance Officer is Mr. Nirnoy Sur, Company Secretary.

To expedite the process of Share Transfer, the Board has delegated the power to approve Share Transfers to Compliance Officer and those transfers which are so approved are ratified at the immediately following Stakeholder Relationship Committee Meeting.

During the year 2016 - 17, the Stakeholder Relationship Committee met three times on 29th July, 2016, 24th October, 2016 and 13th February, 2017.

**Attendance**

Name of Director	No. of Meetings Attended
Mr. N.Subramanian	3
Mr. Bo Jingen	3
Ms. Nilima Ramrao Shinde (Inducted from 01.11.2016)	1

The Company confirms that there were no share transfers pending for approval as on 31st March, 2017 and all requests for de-materialization and re-materialization as on that date were confirmed / rejected through NSDL/ CDSL system.

No complaints received during the year 2016 – 17 and there are no complaints pending to be resolved as on 31st March, 2017.

**8) General Body Meetings**

(A) The details of location and time of holding the last three Annual General Meetings are as under:

Financial Year Ended	Date	Time	Venue
31.03.2016	15.09.2016	11.30 a.m.	Raj Park Chennai, ' Summit Hall', 180, T.T.K.Road, Alwarpet, Chennai – 600 018.
31.03.2015	28.09.2015	10.15 a.m.	Raj Park Chennai, ' Summit Hall', 180, T.T.K.Road, Alwarpet, Chennai – 600 018.
31.03.2014	25.07.2014	10.15 a.m.	Narada Gana Sabha, "Mini Hall" No.314 (Old No.254), T.T.K. Road, Chennai – 600 018.

During the financial year 2016 - 17, Rights Issue Committee met 3 times on 1st December, 2016, 28th February, 2017 and 16th March, 2017.

**Attendance**

Name of Director	No. of Meetings Attended
Mr. Bo Jingen	2
Mr. N.Subramanian	3
Mr. N.K.Ramaswamy	3

**6) Corporate Social Responsibility Committee****Terms of Reference**

To review the Corporate Social Responsibility (CSR) Policy and to make it more comprehensive so as to indicate the activities to be undertaken by the Company as specified in the Companies Act, 2013 and to provide guidance on various CSR activities to be undertaken by the Company and to monitor process.

The Composition of the CSR Committee as at March 31, 2017 and the details of Meetings of the Committee are as under:

- A) Mr. Dilip Dinkar Kulkarni – Chairman
- B) Mr. N.K.Ramaswamy - Member
- C) Mr. Wu Xiaohui - Member

The Committee met one time during the financial year 2016 – 17 on 13th February, 2017 and it was attended by all the three Members.

**7) Independent Directors' Meeting**

During the year under review, the Independent Directors met on 24th October, 2016, inter alia, to:

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

All the Independent Directors were present at this Meeting.

**(B) Details of Special Resolutions passed at the last three Annual General Meetings:****I. At the 32nd Annual General Meeting held on 15th September, 2016.**

- a) Adoption of new set of Articles of Association.

**II. At the 31st Annual General Meeting held on 28th September, 2015.**

- a) Re-appointment of Mr.Bo Jingen as Managing Director for a period of 3 years with effect from February 27, 2014.
- b) Re-appointment of Mr.Wu Xiaohui as Whole-time Director for a period of 3 years with effect from February 27, 2014.

**III. At the 30th Annual General Meeting held on 25th July, 2014.**

- a) Borrowing an amount not exceeding ₹ 150,00,00,000/-.
- b) Intimation to BIFR regarding erosion of more than fifty percent of its peak net worth.
- c) Preferential Allotment of Equity Shares

**(C) Postal Ballot**

During the year, no resolutions have been passed through Postal Ballot.

None of the Businesses proposed to be transacted in the ensuing Annual General Meeting require passing of a resolution through Postal Ballot.

**(D) A brief resume and name of the companies in which Directors, who are being appointed / re-appointed, hold Directorships / Committee Memberships and Shareholding in the Company.**

Details of Director(s) retiring or being appointed or re-appointed are given in the notice of the Annual General Meeting which is forming part of the Annual Report of the Company.

**9) Disclosures**

- ❖ **Disclosures on materially significant related party transactions i.e. transactions of the Company of material nature, with its Promoters, the Directors or the Management, their Subsidiaries or relatives etc. that may have potential conflict with the interests of the company at large:**

All transactions entered into with the Related Parties during the financial year were in the ordinary course of business and on arm's length basis. Transactions with Related Parties have been disclosed in Note No. 28 forming part of Financial Statements.

Prior omnibus approval obtained and a statement in summary form of transactions with related parties in the ordinary course of business and arm's length basis is periodically placed before the Audit Committee for review and recommendation to the Board for their approval.

None of the transactions with related parties were in conflict with the interest of the Company. All the transactions are in the normal course of business and have no potential conflict with the interest of the Company at large and are carried out on an arm's length basis or fair value.

- ❖ **Details of non-compliance by the company, penalties, strictures imposed on the company by Stock Exchanges or SEBI or any statutory authority on any matter related to the capital markets, during the last three years:**

No penalties or strictures have been imposed by any regulatory authority on any matter related to capital markets during the last three years.

- ❖ **Code of conduct for prevention of Insider Trading :**

The company has framed a code of conduct for prevention of Insider Trading based on SEBI (Insider Trading), Regulations.

This code is applicable to all Directors and Designated Employees having access to unpublished price sensitive information.

- ❖ **Whistle Blower Policy and affirmation that no personnel has been denied access to the audit committee:**

The Company confirms that it has not denied access to any personnel to approach the Management or the Audit Committee on any issue.

- ❖ **Details of Compliance with mandatory requirements and adoption of the non-mandatory requirements:**

The Company has complied with the mandatory requirements entered into with the Stock Exchanges. Adoption of non-mandatory requirements is being reviewed by the Board from time-to-time.

**10) Means of Communication**

1. Quarterly Results : Communicated through advertisement in newspapers.
2. Newspapers wherein results : Financial Express (English) and Maalai Sudar (Tamil).  
normally published
3. Any Website where displayed : www.kingfaindia.com, www.bseindia.com, www.nseindia.com
4. Any official news release published : No
5. Details of presentation needs to : Nil  
Institutional Investors/Analysts

The Management's Discussion and Analysis highlighting specific details of the operations has been included in the Directors' Report.

**11) General Shareholder Information**

- a) **Registered Office** : Dhun Building, III Floor, 827, Anna Salai, Chennai - 600 002.
- b) **Annual General Meeting** :  
Day : Monday  
Date : September 25, 2017  
Time : 11.30 A.M.  
Venue : Raj Park Chennai, "Summit Hall",  
180, T.T.K. Road, Alwarpet,  
Chennai - 600 018
- c) **Financial Year** : 1st April to 31st March
- d) **Financial Calendar for 2017 – 2018** :

(tentative schedule excluding Extraordinary General Meeting(s) if any)

First Quarter Results (30th June, 2017)	on or before August 14, 2017
Second Quarter Results (30th September, 2017)	on or before November 14, 2017
Third Quarter Results (31st December, 2017)	on or before February 14, 2018
Fourth Quarter Results (31st March, 2018)	before end of May, 2018
Annual General Meeting (2017-2018)	In accordance with Companies Act, 2013

- e) **Date of Book Closure** : Details are given in the notice of the Annual General Meeting which is forming part of the Annual Report of the Company.
- f) **Dividend Payment Date** : Equity Shares – Not Applicable
- g) **Listing on Stock Exchanges** **Stock Code**

- (1) **BSE Limited (BSE)** 524019  
(Scrip ID – KINGFA)  
Phiroze Jeejeebhoy Towers,  
Dalal Street, Mumbai - 400 001.
- (2) **National Stock Exchange of India Limited (NSE)** KINGFA  
Exchange Plaza,  
Bandra Kurla Complex,  
Bandra East, Mumbai - 400051

Demat ISIN No. for CDSL and NSDL is INE473D01015.

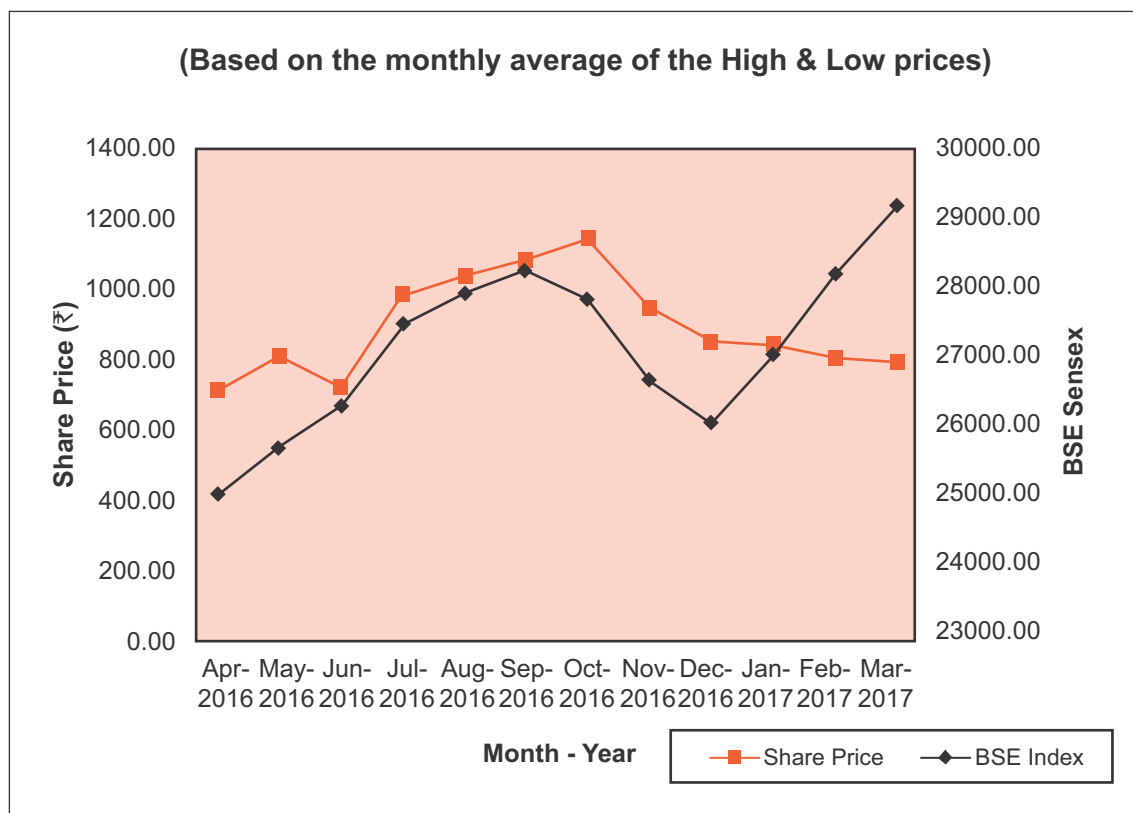
The Listing fees to BSE and NSE have been paid upto date.

## h) Market Price Data – High &amp; Low of Equity Shares of the Company

(in ₹)

Month	Year	BSE		NSE	
		High	Low	High	Low
April	2016	949.75	545.25	Listed on the Exchange w.e.f November 15, 2016	
May	2016	934.00	745.00		
June	2016	810.00	701.00		
July	2016	1,267.00	755.00		
August	2016	1,170.00	955.00		
September	2016	1,229.00	986.10		
October	2016	1,270.00	1,062.00		
November	2016	1,196.80	745.00	1,103.90	726.50
December	2016	944.70	819.00	938.00	801.00
January	2017	913.00	827.00	927.00	832.60
February	2017	906.00	766.10	905.10	762.00
March	2017	880.00	765.00	893.70	755.60

## i) Performance of Share Price of the Company in comparison to BSE Sensex



- j) Registrar & Share Transfer Agent : M/s. Integrated Registry Management Services Private Limited,  
Unit : Kingfa Science & Technology (India) Limited  
2nd Floor, "Kences Towers",  
No. 1, Ramakrishna Street,  
North Usman Road, T. Nagar,  
Chennai - 600 017.  
Phone Nos : +91- 44-28140801 - 803  
Fax No. : +91- 44-28142479  
E-Mail : yuvraj@integratedindia.in  
Contact Person : K. Suresh Babu, Director
- k) Share Transfer System
1. Transfer of the shares held in electronic form are done through the depositories by the share transfer agent.
  2. Transfer of shares in the physical form are done within statutory time limit.
  3. The power to approve the transfer, transmission and other Share Certificate related matters has been delegated by the Board to Compliance Officer and his action is ratified at the next Stakeholder Relationship Committee Meeting.
  4. Certificate is obtained from a Practising Company Secretary every six months confirming the transfer, transmission etc. of equity shares within one month of their lodgement and sent to Stock Exchanges where the Company's shares are listed.
  5. Reconciliation of Share capital Audit as stipulated by SEBI is conducted on quarterly basis reconciling the admitted equity share capital with the shares in electronic and physical form and Certificate issued in this regard by Practising Company Secretary is forwarded to Stock Exchanges where the Company's shares are listed.

**l) Distribution of Shareholding and Shareholding Pattern as on 31.03.2017.**

**i) Distribution of Shareholding**

CATEGORY	SHAREHOLDERS		SHARES	
	NUMBER	% TO TOTAL	NUMBER	% TO TOTAL
Upto 2500	8324	98.90	1033042	10.22
2501 - 5000	44	0.52	142428	1.41
5001 - 10000	30	0.36	200281	1.98
10001 – 20000	10	0.12	131435	1.30
20001 – 30000	3	0.04	74709	0.74
30001 – 40000	1	0.01	35035	0.35
40001 – 50000	0	0.00	0	0.00
50001 – 100000	1	0.01	100000	0.99
100000 & above	4	0.05	8393638	83.02
<b>TOTAL</b>	<b>8417</b>	<b>100.00</b>	<b>10110568</b>	<b>100.00</b>



## ii) Shareholding Pattern

CATEGORY	HOLDERS	SHARES	VOTING STRENGTH (PERCENTAGE)
Promoter	1	7582340	74.99
Non-Resident Individuals / OCBs	247	97459	0.96
Foreign Port Folio Investor –Corporate	2	573903	5.68
Bodies Corporate	135	193698	1.92
FIs/Mutual Funds/Banks	3	1189	0.01
Resident Individuals	7928	1604283	15.87
Others	101	57696	0.57
<b>Total</b>	<b>8417</b>	<b>10110568</b>	<b>100.00</b>

## m) Dematerialisation of Shares &amp; liquidity

The shares of the Company can be held and traded in electronic form. As on March 31, 2017, 98.40% of the Company's total equity shares representing 99,53,345 shares were held in dematerialised form and the balance 1.55% representing 1,57,223 shares in the physical form.

## n) Outstanding GDRs / ADRs / Warrants or any Convertible instruments, conversion date and likely impact on equity

- Nil

## o) Plant Locations

RS No.38/1, Sedarapet Industrial Area,  
Sedarpet, Puducherry - 605 111.

- Modified Thermoplastics

G 34, Addl. Jejuri Industrial Area  
Jejuri, Tal. Purandar, Pune – 412303.

- Modified Thermoplastics

Plot No-406, Sector-8, IMT Manesar,  
Gurgaon – 122050, Haryana

- Modified Thermoplastics

Plot No.15C, SIPCOT Industrial Complex,  
Pudukkottai - 622 002.

(Ceased operation from May 2014 onwards)

## p) Address for Correspondence

## (i) Share related matters :

M/s.Integrated Registry Management Services  
Private Limited

Unit : Kingfa Science & Technology (India) Limited  
2nd Floor, "Kences Towers",  
No. 1, Ramakrishna Street,  
North Usman Road, T. Nagar, Chennai – 600 017.

Phone Nos : +91-44-28140801 - 803  
Fax No. : + 91-44-28142479  
E-Mail : yuvraj@integratedindia.in  
Contact Person : K. Suresh Babu, Director

## (ii) Other matters :

Company Secretary and Compliance Officer  
Kingfa Science & Technology (India) Limited  
Dhun Building, III Floor,  
827, Anna Salai, Chennai – 600 002.

Phone Nos : 0091-44-28521736  
Fax No : 0091-44-28520420  
E-Mail : cs@kingfaindia.com

For and on behalf of the Board of Directors

**BO JINGEN** **N.K. RAMASWAMY**  
Managing Director Director

Place : Chennai

Date : 31st July, 2017



**AUDITORS' CERTIFICATE ON CORPORATE GOVERNANCE****TO THE MEMBERS OF KINGFA SCIENCE & TECHNOLOGY (INDIA) LIMITED**

We have examined the compliance of regulations of Corporate Governance by Kingfa Science & Technology (India) Limited for the year ended 31st March, 2017, as per regulations 17-27, clauses (a) to (m) of Regulation 46(2) and paragraphs C, D and E of Schedule V of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("Listing Regulations").

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

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the regulations of Corporate Governance as stipulated in the above-mentioned Listing Regulations, as applicable.

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

**for M/s. P. SRINIVASAN & CO.,**

Chartered Accountants

(Firm Registration No. : 004054S)

**CA. P. SRINIVASAN**

Partner

Membership No. 002090

Place : Chennai

Date : 31<sup>st</sup> July, 2017

**CEO / CFO CERTIFICATION**

We the undersigned, in our respective capacities as Managing Director and Chief Financial Officer of Kingfa Science & Technology (India) Limited ("the Company") to the best of our knowledge and belief certify that:

- a. We have reviewed Financial Statements and the Cash Flow Statement for year ended 31<sup>st</sup> March, 2017 and that to the best of our knowledge and belief, we state that:
  - i. these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
  - ii. these statements together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.
- b. We further state that to the best of our knowledge and belief, no transactions entered into by the Company during the year, which are fraudulent, illegal or violative of the Company's code of conduct.
- c. We are responsible for establishing and maintaining internal controls for financial reporting and that we have evaluated the effectiveness of the internal control systems of the Company pertaining to financial reporting of the Company 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 the steps we have taken or propose to take to rectify these deficiencies.
- d. We have indicated to the Auditors and the Audit Committee:
  - i. significant changes, if any, in internal control over financial reporting during the year;
  - ii. significant changes, if any, in accounting policies during the year and that the same have been disclosed in the notes to the financial statements; and
  - iii. instances of significant fraud of which we have become aware and the involvement therein, if any, of the management or an employee having a significant role in the company's internal control system over financial reporting.

**for Kingfa Science & Technology (India) Limited,**

Place : Chennai

Date : 31st July, 2017

**BO JINGEN**  
Managing Director

**XIE DONGMING**  
Chief Financial Officer

**MANAGEMENT'S DISCUSSION AND ANALYSIS REPORT****A) INTRODUCTION**

The report addresses the Management's perception of the business currently and the market environment available opportunities for growth and the challenges visible and imminent while analyzing the company's performance for the year under review. The report also summarizes the control and counter measures and also the Human resources development plan. This report should be read in conjunction with the Director's report to shareholders, financial Statements and other notes included in the Annual report.

**B) ECONOMIC SCENARIO**

This year's economic Survey comes at a time when the international economic environment remains at best Sluggish with the markets have swung on the faltering global recovery and risks of extreme events are becoming more and more.

Given this not so rosy or robust global landscape India has remained stable and market with real opportunities. With the Government's focus on Fiscal Consolidation and lower inflation Macro economy continues to be stable. The economic growth has been one of the highest in the world helped by focused and decisive Government Policies. The achievement is significant when the global economy at best is sluggish and not so good monsoon for the second year running.

With the imminent implementation of GST and associated initial pains the task of the Government becomes even harder to manage the expectations of the aspirational Indian economy. While the monetary and Liquidity Policy for some time has been with an eye on controlling inflation and have been successful the time has come to ease the same to take economic growth to the next level. Fiscal consolidation is important to maintain credibility but the same has to be managed by reducing unwanted debt while driving and sustaining growth.

With the Government being decisive and push on digitization and multi- pronged efforts to plug revenue leakages we should be able to sustain growth in spite of uncertainty of the global economy.

**C) INDUSTRY STRUCTURE AND DEVELOPMENTS**

Manufacturing sector the key focus of the Government with MAKE IN INDIA did witness a much better year lead by the automotive sector which grew at 7% year on year. All the segments like passenger cars, 2-wheelers, Commercial vehicles all grew in volumes sustaining growth for the second year running. In Line with the growth in manufacturing sector our volumes also grew by 50% thanks to sustained focused actions on the ground and working with all OEM's across the country. Secondly the drive on Home Appliances industry also has started producing real tangible results and the significance of this industry in our volumes. Also the drive on LED lighting is producing significant results too.

**AUTOMOTIVE INDUSTRY IN INDIA PRODUCTION TREND**

Category	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17
Passenger Vehicles	31,46,069	32,31,058	30,87,973	32,21,419	34,65,045	37,91,540
Commercial Vehicles	9,29,136	8,32,649	6,99,035	6,98,298	7,86,692	8,10,286
Three Wheelers	8,79,289	8,39,748	8,30,108	9,49,019	9,34,104	7,83,149
Two Wheelers	1,54,27,532	1,57,44,156	1,68,83,049	1,84,89,311	1,88,30,227	1,99,29,485
<b>Grand Total</b>	<b>2,03,82,026</b>	<b>2,06,47,611</b>	<b>2,15,00,165</b>	<b>2,33,58,047</b>	<b>2,40,16,068</b>	<b>2,53,14,460</b>

**D) COMPANY PERFORMANCE**

As discussed and detailed earlier the manufacturing segment registered only a modest growth during the year under review, however your company sustained 50% year on year volume growth. Additional front end resources coupled with strengthening our Technical Capabilities helped us gain new business and also expand our share with existing OEM's. We also continued our aggressive approach with respect to market share and this ensure significantly higher growth than our peers.

**1) Operations**

The increase in volumes by over 50% is a reflection on our efforts to build capacity and also enhance our portfolio with more value added grades. Decisive pricing actions and logistics play we were able to expand our business and build up scale. Additional expansion of capacity is under way and would give us manufacturing capacity of close to 100000T and we are fully geared up to meet the surge in demand expected on account of government's focus on job creation and also MAKE IN INDIA.

Key raw materials moved within a narrow band and availability was normal. Prices were firm but however with our increased scale of operations and multi option sourcing we were able to keep the same under control. Inventory management focus was never more important than now as the number of items and complexity went up. We are adding more resources and process to ensure we have this under control.

## 2) Marketing Initiatives

Fuel economy, styling, comfort, luxury feeling are the key demands from the automotive Industry along with demands of supply chain and cost. Any option which allows for weight reduction there by reducing the weight of the components would lead to increased fuel efficiency. Your company has increased its range of offering of compounds that enable the OEM's to design their key large components like Bumper, Instrument Panel, Door trims at lower thickness. All OEM's are keen to benefit from the lower weight solutions offered by your company.

During the year we increased our focus on larger passenger car manufacturers and we are seeing significant progress on approvals from them. We are seeing significant progress and the same should stack up to our volumes nicely in the coming years.

Our continued engagements with OEM's with focused meetings, technology Shows, demonstration of our technical Capabilities, etc have ensured that employees across all functions at key OEM's are more aware of the possibilities. This has lead to a number of new thoughts and VAVE and design changes which are great opportunities for growth for your company.

Dependence on one industry is risky and hence our efforts have been always to establish ourselves in other industries. Traditional industries like home appliances, electrical, fluid engineering, transportation all have seen progress and are looking for newer materials. Statutory needs make certain electrical appliances double insulated and these present a significant opportunity for our products as they offer both functional and aesthetic advantages.

Air-conditioners, front Loading washing Machines, Water treatment plants have all shown increased growth and are expected to sustain growth. We also see leisure and sports

industry offering new opportunities. We are working with leading players in these areas.

## 3) HR & IR

Skill set mapping of our Technical and Sales personnel followed by relevant training to expose them to newer technologies and 'Change' initiatives created a team that can take on the growth initiatives strongly. Exposure to newer Techniques at our HQ in China to prepare them well to handle the latest demands from our customers and OEMs. Such focused efforts helped the team to horizontally deploy approvals in China to OEMs in India. We are seeing the benefits of this in newer business from OEMs.

All personnel across levels provided with training and tools to be able to be part of the company's growth focus and be prepared to take on and adapt to the market challenges as they evolve. Continuous Communications on the challenges foreseen, actions being initiated, rewards initiatives have increased the urgency across the organisation and also being reflected in our growth. The total number of permanent employees in the Company is 156 as of 31.03.2017.

## 4) Business Opportunity

Key objective of the company is to grow much above the market trend by investing in technology, capacity and people. This objective has ensured we are poised to capitalize on the upswing that MAKE IN INDIA is expected to bring to manufacturing growth in India.

Our plan to set up a Global Scale Manufacturing and Contemporary Design and Development Center at Pune is going as per plan. This facility would enable us to develop material and formulations for future applications that would evolve.

Automotive Industry is on expansion mode and growth path currently with new capacities coming into stream. We are seeing increased activity with all the OEM's. In addition to this we are focusing on Home appliances like Geysers, Water Purifiers, other small appliances which are expected to grow significantly in the next 3-4 years. We are working with the leaders in these industry for material solutions.

Latest technological inputs, state of the art additives and PP has helped us to meet the extreme demands of the customers on

performance. This coupled with dynamic material planning has helped us to stay ahead of the market.

## E) RISKS AND CONCERNS AND THREATS

The exposure of the Company to various types of risks is detailed below along with the strategy employed to manage / mitigate the same.

### Business risks

Business risks are cyclical in nature and dependent on lot of factors and also the capability of customers to spend. With Manufacturing being in focus under MAKE IN INDIA initiative is expected to improve manufacturing significantly. We are monitoring the same for all the focus industries and reviewing our actions and initiatives to be in line with market demands. We are expanding our industry engagement and product offering to electrical, home appliances, lighting, mass transportation to reduce the risk.

### Financial Risks

We are faced with the usual business financial risks. Receivables and Inventory management are given due focus to ensure optimal working capital management and ensure we manage our cash flow positively. Both receivables and inventory management are dynamic and based on lean principles but with the basic fundamentals to ensure we are able to ride on customers upswing or variations in plan. Robust and regular reviews across multiple levels are the order of the day to ensure we are in control of the situation.

We are on in petroleum downstream industry and our key raw material inputs are derivatives from Petroleum. Price volatility and prices are not in our control. The company mitigates this risk by having multiple options and sources to reduce the over-all impact.

With support from HQ we have been able to reduce our overall interest cost. However being in an short cycle industry the focus remains in receivables management and creditors management.

### Foreign Exchange Risks

Adverse movement of Foreign exchange does present a risk and the same arises as we do import critical raw material components. We use the services of professional advisory with an structured and planned approach to manage and reduce the impact of any adverse movement.

- i) To reduce the probability and potential cause of financial risks by making the Company as neutral as possible to currency and interest rate fluctuations.

- ii) We are also working looking at exporting our products to South East Asia, South America, and South Africa. Our potential customers have shown keen interest and we are confident that we should be able to establish a sizeable volume here in the near future.
- iii) To create a stable planning environment by taking steps to reduce the impact of currency and interest rate fluctuations both in respect of short term and long term commitments.
- iv) Based on the advice received from the Forex advisories and also report on dollar views, hedging decisions are taken to hedge the foreign exchange exposures. This to a certain extent helped in mitigating the adverse currency fluctuation.

### Asset protection

The Company has ensured that all of its assets are properly safeguarded against all insurable risks using appropriate and current valuation methods and the adequacy of the same is reviewed periodically with the assistance of professional independent agencies.

Your company's exposure to passenger car segment is still significant and has potential risk of recession which could lead to drop in car production. We have factored this in our plans and have already started and continuing our efforts to expand our presence in markets like domestic appliances like AC, Washing Machine, Electronic Coolers, Electrical and electronics, telecom, UPS, mass transportation which would reduce our over all dependence on passenger car segment. With the specifications across industry becoming global the demands from the market place is expected to become more challenging and stretched. We are confident that we would be able to raise to these new challenges. We are also equipping our team with the necessary skills and tools to meet the new demands.

## F) INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

The objective of the internal control systems is to ensure optimal use of resources, safeguard the Company's assets, exercise control, and minimise system deficiencies and weaknesses. Internal Audit is carried out by an independent professional audit firm to review all aspects of the internal control system and adherence to policies and procedures. The Audit Committee of the Board of Directors reviews the internal audit reports and the implementation of corrective actions and also addresses all aspects of the Company's functioning from this perspective as required under SEBI and Company Law guidelines.



**G) FINANCIAL PERFORMANCE OF THE COMPANY****Revenues**

Sales revenue of the company grew by 36% over the previous year, whilst the volumes grew by 44%. The average selling price reflects some reduction in view of the lower PP prices for most of the year necessitating passing on some discounts.

Engineering Plastic compounds clocked a sale of approx. 2097 MT and constitutes approx. 5% of the company turnover.

The moneys received towards the advance share application of Rights issue at the March'17 end were gainfully deployed and earned some interest of ₹ 26.44 lacs during the year.

**Input costs**

There was an overall increase of 4% in the input costs during the year, reflecting the volatility in rupee with dollar during the year slight increase in other raw material costs.

Tight control on the overheads helped in spreading the same over a larger volume which benefitted the overall cost of production.

**Financial costs**

Reduction in interest rates negotiated with the Bankers helped in savings in the interest cost. At the end of year, rupee appreciation resulted in positive way and exchange gain of ₹ 321.78 lakhs during the year.

Higher level of Working capital necessitated was managed thro longer negotiated credit period from group companies.

**H) OUTLOOK**

- a) Only if the trend in increasing offtake of vehicles is sustained will the volume of tonnage increases

materialise. Such increased volumes and management of supply chain and logistics should help in bettering margins during the current year subject of course to the price behaviour of Polypropylene and other crude oil based inputs.

- b) New commercial vehicles call for increased usage of PP compounds on interior parts and your Company is already working with major companies in this segment to benefit from this approach.
- c) Control of receivables and inventory and improved process efficiency, should also contribute to the reduction of working capital requirement leading to a reduction in interest costs.
- d) Company's strategy is to broaden its product offerings into other segments of manufacturing, viz, Electrical, Powertools, Appliances through aggressive marketing and also offer products higher in the value chain ( viz. Engineering Plastics).

The overall outlook looks promising with the hope of stable Government at the Centre.

**Cautionary Statement**

Statements in the Management's Discussion and Analysis Report describing the Company's projections, estimates, expectations or predictions may be 'forward-looking statements' within the meaning of applicable securities laws and regulations. Actual results could differ materially from those expressed or implied. Important factors that would make a difference to the Company's operations include demand-supply conditions, raw material prices, changes in Government regulations, tax regimes, economic developments within the country and other factors such as litigation and labour negotiations.

**DECLARATION REGARDING COMPLIANCE BY BOARD MEMBERS****AND SENIOR MANAGEMENT PERSONNEL WITH THE COMPANY'S CODE OF CONDUCT**

This is to confirm that the Company has adopted a code of conduct for the members of its Board and Senior Management Personnel. We confirm that the Company has, in respect of the Financial year ended 31st March, 2017, received from the members of the Board and Senior Management Team of the Company, a declaration of compliance with the code of conduct as applicable to them.

Place : Chennai

Date : 31st July, 2017

BO JINGEN

Managing Director

N.K. RAMASWAMY

Director



**Independent Auditor's Report To the Members  
of Kingfa Science & Technology (India) Limited  
(Formerly Hydro S & S Industries Limited)**

### Report on the Financial Statements

We have audited the accompanying financial statements of Kingfa Science and Technology India Limited ("the Company") which comprise the Balance Sheet as at March 31, 2017, the Statement of Profit and Loss, Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

### Management's Responsibility for the Financial Statements

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 financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, 2013 read with Rule 7 of the Companies (Accounts) Rules, 2014. 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 financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on these 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.

We conducted our audit 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the financial statements. 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. In making those risk assessments, the auditor considers internal financial control relevant to the Company's preparation of the financial statements that give a true and fair

view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on whether the Company has in place an adequate internal financial controls system over financial reporting and the operating effectiveness of such controls. 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 financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the financial statements.

### Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at March 31, 2017, and its profit and its cash flows for the year ended on that date.

### Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2016 ("the Order"), as amended and issued by the Central Government of India in terms of sub-section (11) of section 143 of the Act, we give in the "Annexure A" a statement on the matters specified in paragraphs 3 and 4 of the Order.
2. As required by section 143 (3) of the Act, we report that:
  - a. We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
  - b. In our opinion proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;
  - c. The Balance Sheet, the Statement of Profit and Loss and the Cash Flow Statement dealt with by this Report are in agreement with the books of account
  - d. In our opinion, the aforesaid (Standalone) financial statements comply with the Accounting Standards specified under section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014.
  - e. On the basis of written representations received from the directors as on March 31, 2017 taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2017 from being appointed as a director in terms of Section 164 (2) of the Act.

- f. With respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate Report in "Annexure B".
- g. With respect to the other matters to be included in the 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 explanations given to us:
- i. The Company has disclosed the impact of pending litigations on its financial position in its financial statements
  - ii. The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses.
  - iii. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Company.

For and on behalf of

**P. SRINIVASAN & CO.**

**Chartered Accountants**

**Firm No. 004054S**

Place : Chennai

Date : 26.05.2017

**(P. Srinivasan)**

**Partner**

**Membership No. : 02090**

- ii) (a) As explained to us, inventories held by the Company were physically verified during the year at reasonable intervals by the management.
- (b) In our opinion and according to the information and explanations given to us, the discrepancies noticed on physical verification of the inventory as compared to books records has been properly dealt with in the books of account and were not material.
- iii) The Company has not granted any loans, secured or unsecured to companies, firms, limited liability partnerships or other parties covered in the Register maintained under section 189 of the Act.
- iv) In our opinion and according to the information and explanations given to us, the company has complied with the provisions of section 185 and 186 of the Companies Act, 2013 In respect of loans, investments, guarantees, and security.
- v) The Company has not accepted any deposits from the public during the year to which 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 and the rules framed there under are applicable.
- vi) The maintenance of cost records has not been prescribed by the Central Government under sub-section 1 of Section 148 of the Companies Act.
- vii) (a) According to the records of the Company, the Company is regular in depositing undisputed statutory dues including provident fund, employee's state insurance, income tax, sales tax, service tax, duty of customs, duty of excise, value added tax and any other statutory dues applicable to it, with the appropriate authorities during the year. According to the information and explanations given to us, no undisputed amounts payable in respect of the above were in arrears as at March 31, 2017 for a period of more than six months from the date on when they become payable.
- (b) there are no dues of income tax or sales tax or wealth tax or service tax or duty of customs or duty of excise or value added tax which have not been deposited on account of any dispute except the following pending in appeals :
  - (i) Income tax of ₹ 37.82 lakhs before the first appellate authority

## **ANNEXURE A TO AUDITORS' REPORT**

### **Annexure to Independent Auditors' Report of even date**

- I) a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- b) These fixed assets have been physically verified by the management at the end of the financial year which in our opinion is reasonable having regard to the size of the Company and the nature of its assets. According to the information and explanations given to us, no material discrepancies were noticed on such verification.
- c) According to the information and explanations given and on the basis of examination of the records of the Company, the title deeds of immovable properties are held in the name of the company.

- (ii) Customs duty of ₹ 26.78 lakhs before the first appellate authority
- (iii) Sales tax of ₹ 12.94 lakhs before the first appellate authority and
- (iv) Central Excise and Service tax before the first appellate authority ₹ 23.70 lakhs.
- viii) On the basis of records produced and in our opinion and according to the information and explanations given to us, the Company has not defaulted in repayment of the dues to bank. The Company has not availed borrowing facilities from financial institution, Government or dues to debenture holders.
- ix) The company has not raised moneys by way of initial public offer or further public offer including debt instruments and term Loans. However, the Company made rights issue during the year under audit. In our opinion and on the basis of the audit procedures performed and the information and explanations given by the management, the moneys raised by the Company through its rights offer were applied for the purposes for which those were raised.
- x) On the basis of the audit procedures carried out by us and information and explanations given by the management, we state that no material fraud on or by the Company has been noticed or reported during the course of our audit.
- xi) On the basis of the audit procedures performed and the information and explanations given by the management, the managerial remuneration has been paid or provided in accordance with the requisite approvals mandated by the provisions of section 197 read with Schedule V to the Companies Act;
- xii) In our opinion, the Company is not a Nidhi Company and therefore the provisions of clause 4 (xii) of the Order are not applicable to the Company.
- xiii) In our opinion, all transactions with the related parties are in compliance with section 177 and 188 of Companies Act, 2013 where applicable and the details have been disclosed in the Financial Statements as required by the applicable accounting standards.
- xiv) Based upon the audit procedures performed and the information and explanations given by the management, the company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year under audit.
- xv) In our opinion, on the basis of the audit procedures performed and the information and explanations given by the management, the company has not entered into any non-cash transactions with directors or persons connected with him.

- xvi) In our opinion, the company is not required to be registered under section 45 IA of the Reserve Bank of India Act, 1934.

for and on behalf of

**P. Srinivasan & Co.,**  
**Chartered Accountants**

**FRN: 004054S**

Place : Chennai

Date : 26.05.2017

**P. Srinivasan**

**Partner**

**M. No.: 02090**

**“Annexure B” to the Independent Auditor's Report of even date on the Standalone Financial Statements of Kingfa Science and Technology India Limited Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 (“the Act”)**

We have audited the internal financial controls over financial reporting of **Kingfa Science and Technology India Limited** (“the Company”) as of March 31, 2017 in conjunction with our audit of the standalone financial statements of the Company for the year ended on that date.

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

The Company's management is responsible for establishing and maintaining internal financial controls based on the internal control 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 ('ICAI'). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to 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.

**Auditors' Responsibility**

Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the “Guidance Note”) and the Standards on Auditing, issued by ICAI and deemed to be prescribed under

section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls, both applicable to an audit of Internal Financial Controls and, both issued by the Institute of Chartered Accountants of India. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

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

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

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

A company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

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

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

#### **Opinion**

In our opinion, 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, 2017, 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 and on behalf of  
**P. Srinivasan & Co.,**  
**Chartered Accountants**  
**FRN: 004054S**

Place : Chennai  
Date : 26.05.2017

**P. Srinivasan**  
**Partner**  
**M. No.: 02090**

**BALANCE SHEET AS AT MARCH 31, 2017**

(₹ in Lacs)

	Note No.	As at March 31, 2017	As at March 31, 2016
<b>I EQUITY AND LIABILITIES</b>			
1 Shareholders' Funds			
(a) Share Capital	1	1,011.06	1,011.06
(b) Reserves and Surplus	2	12,115.16	10,931.68
2 Share application money pending allotment		11,249.06	-
3 Non - Current Liabilities			
(a) Long - term borrowings	3	1,556.16	1,591.87
(b) Deferred tax liabilities (Net)	4	154.06	15.96
(c) Other long term liabilities	5	8.50	8.50
(d) Long - term provisions	6	15.98	14.02
4 Current liabilities			
(a) Short - term borrowings	7	2,613.66	-
(b) Trade payables	8	10,561.90	8,900.89
(c) Other current liabilities	9	977.65	543.19
(d) Short - term provisions	10	76.79	9.21
<b>TOTAL</b>		<b>40,339.98</b>	<b>21,026.38</b>
<b>II ASSETS</b>			
1 Non - current assets:			
(a) Fixed Assets	11		
(i) Tangible Assets		7,474.71	2,882.85
(ii) Intangible Assets		1.34	1.28
(iii) Capital work-in-progress		967.97	4,133.64
(b) Long term loans and advances	12	280.78	215.18
2 Current assets			
(a) Inventories	13	6,896.58	5,929.85
(b) Trade Receivables	14	12,970.71	8,526.05
(c) Cash and Cash equivalents	15	10,423.11	651.03
(d) Short-term loans and advances	16	1,324.78	686.50
<b>TOTAL</b>		<b>40,339.98</b>	<b>23,026.38</b>

See accompanying Notes forming part of financial statements

As per our Report of even date  
For **M/s. P. SRINIVASAN & Co.**  
Chartered Accountants

**CA. P. SRINIVASAN**  
Partner  
Membership No.: 02090  
FRN:004054S

**N.K. RAMASWAMY**  
Director

**BO JINGEN**  
Managing Director

**XIE DONGMING**  
Chief Financial Officer

**NIRNOY SUR**  
Company Secretary

Place : Chennai  
Date : 26/05/2017



## STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED MARCH 31, 2017

(₹ in Lacs)

	Note No.	As at March 31, 2017	As at March 31, 2016
I Revenue from operations (Gross)	17	48,322.45	35,599.51
Less: Excise duty		5,609.82	4,182.70
Revenue from operations (Net)		42,712.63	31,416.81
II Other Income	18	38.40	89.34
III Total revenue (I+II)		42,751.03	31,506.15
IV Expenses			
Cost of materials consumed	19	36,626.68	25,185.46
Purchases of stock-in-trade	20	888.54	896.60
Changes in inventories of finished goods and work-in-progress	21	(1,173.89)	(562.77)
Employee benefits expense	22	1,245.33	935.05
Finance costs	23	(105.05)	720.98
Depreciation and amortisation expense		305.42	293.93
Other expenses	24	3,260.43	2,298.52
Total Expenses		41,047.46	29,767.77
V Profit before exceptional and extraordinary items and tax (III- IV)		1,703.57	1,738.38
VI Exceptional items		-	-
VII Profit before extraordinary Items and tax (V-VI)		1,703.57	1,738.38
VIII Extraordinary items		-	-
IX Profit before tax (VII-VIII)		1,703.57	1,738.38
X Tax expenses			
1. Current tax		382.00	201.11
2. Deferred tax		138.09	457.32
		520.09	658.43
XI Profit for the year (IX-X)		1,183.48	1,079.95
XII Earnings per Equity Share			
1. Basic		11.71	13.55
2. Diluted		11.71	13.55

See accompanying Notes forming part of financial statements

As per our Report of even date

For **M/s. P. SRINIVASAN & Co.**

Chartered Accountants

**CA. P. SRINIVASAN**

Partner

Membership No.: 02090

FRN:004054S

Place : Chennai

Date : 26/05/2017

**N.K. RAMASWAMY**

Director

**XIE DONGMING**

Chief Financial Officer

**BO JINGEN**

Managing Director

**NIRNOY SUR**

Company Secretary

## CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2017

(₹ in Lacs)

		Current Year	Previous Year
<b>A. Cash Flow arising from Operating Activities</b>			
Net Profit before Tax and Extraordinary Items		1,703.57	1,738.38
Add :			
a) Depreciation and amortisation expense	305.42	293.93	
b) Finance costs paid	(105.05)	720.98	
c) Loss on sale of fixed asset	5.15	-	
		205.52	1,014.91
		1,909.09	2,753.29
Deduct :			
a) Profit on sale of fixed assets	5.01	3.28	
b) Interest received	33.39	86.06	
c) Income Tax Paid	270.00	175.00	
		308.40	264.34
Operating Profit before Working Capital Changes		1,600.69	2,488.95
Add:			
a) Increase in Trade and other payables		2,163.04	5,343.82
		3,763.73	7,832.77
Deduct:			
a) Increase in Inventories	966.73	2,732.33	
b) Increase in Trade and other receivables	4,444.66	2,932.42	
c) Increase in Long term loans and advances	65.60	82.17	
d) Increase in Short term loans & advances	638.28	165.04	
		6,115.27	5,911.96
Net Cash inflow/(outflow) from Operating Activities		(2,351.54)	1,920.81
<b>B. Cash Flow arising from Investing Activities</b>			
Inflow :			
a) Disposal of fixed asset	33.93	10.46	
b) Interest received	33.39	86.06	
		67.32	96.52
Outflow:			
a) Acquisition of fixed assets		1,913.41	4,756.19
Net Cash inflow/(outflow) in the course of Investing Activities		(1,846.09)	(4,659.67)

(₹ in Lacs)

## Current Year

## Previous Year

## C. Cash Flow arising from Financing Activities

Inflow :	a) Increase in long term borrowings	1.96	82.05	
	b) Issue of Right Shares	11,249.06	9,999.08	
	c) Capital Subsidy	-	47.41	
	d) Finance Costs paid	105.05	-	
	e) Increase in short term borrowings	2,613.66	13,969.73	10,128.54
Outflow :	a) Repayment of short term borrowings	-	6,034.49	
	b) Repayment of hire purchase finance	-	14.31	
	c) Finance costs paid	-	720.98	6,769.78
Net Cash inflow/(outflow) in the course of Financing Activities		13,969.73		3,358.76
Net Increase in Cash and Cash equivalents (A+B+C)		9,772.10		619.90
Add: Cash and Cash equivalents at the beginning of the year		650.41		30.51
Cash and Cash equivalents at the close of the year		10,422.51		650.41

As per our Report of even date

For **M/s. P. SRINIVASAN & Co.**

Chartered Accountants

**CA. P. SRINIVASAN**

Partner

Membership No.: 02090

FRN:004054S

**N.K. RAMASWAMY**

Director

**BO JINGEN**

Managing Director

**XIE DONGMING**

Chief Financial Officer

**NIRNOY SUR**

Company Secretary

Place : Chennai

Date : 26/05/2017

**NOTES FORMING PART OF FINANCIAL STATEMENTS****I Statement of significant accounting policies****(i) Accounting Convention:**

The financial statements are prepared under historical cost convention on accrual basis of accounting to comply with the Accounting standards prescribed under section 133 and read with the relevant provisions of the Companies Act, 2013. All the assets and liabilities have been classified as current and non-current as per company's normal operating cycle and other criteria set out in Schedule III to the Companies Act, 2013.

**(ii) Use of Estimates :**

- a) In the preparation of financial statements, certain estimates and assumptions are made by the management to conform with the generally accepted accounting principles. The actual results could differ from these estimates.
- b) The Trade receivables outstanding are reviewed as to their prevailing status of ageing and probability of recovery and necessary provision for receivables doubtful of recovery is made based on their ageing.
- c) The items of inventories remaining dormant for more than one year are considered as 'non-moving inventories' and due allowance is made for the same against the closing inventories.

**(iii) Provisions and Contingencies :****Contingent liability :**

Contingent liabilities are disclosed when there is a possible obligation arising from past events the existence of which will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the company or an obligation that arises from the past event, where it is either not probable that an outflow of resources will be required to settle or a reliable estimate of the amount cannot be made.

**Provisions :**

Provisions are recognized where there is present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and there is a reliable estimate of the amount of the obligation.

Provisions are measured at the best estimate of expenditure required to settle the present obligation at the balance sheet date and are not discounted for their present value.

**(iv) Revenue Recognition :**

Revenue is recognised as under:

- a) Sales of products: On despatch of the product to the customer which generally coincides with transfer of ownership. Sales are inclusive of excise duty and net of discounts.
- b) Sale of services represents commission accrued on orders booked with principals and executed.
- c) Interest: On a time proportion basis taking into account the amount outstanding and the rate applicable.
- d) Dividends: When the Company's right to receive payment is established.

**(v) Fixed Assets :**

- a) Fixed assets are capitalised at the acquisition cost (viz.) purchase price, import duties, levies and expenses and costs directly attributable for bringing the assets to their working condition for intended use.
- b) Capital work-in-progress represents expenditure incurred for new projects / capex under implementation.

Resultant expenditure (including borrowing costs, if any) incurred for these projects up to the date of commencement of commercial production have been considered as part of the project cost.

**(vi) Depreciation and amortisation expenses :**

- 1) On fixed assets except freehold lands at the rates and in the manner specified in Part "C" of Schedule II of the Companies Act, 2013 as under:
  - a) Straight line method on buildings, plant and machinery, electrical installations and intangible assets and
  - b) W.D.V. method on other assets having regard to the expected useful life residual value commencing from the date the asset is available for use.
- 2) Premium on leasehold land is amortised over the period of lease.
- 3) Assets individually costing Rs.5000/- or less are fully depreciated.

**(vii) Borrowing Costs :**

The borrowing costs incurred on loans taken for acquisition of qualifying assets are capitalised up to the date of commencement of commercial production/till the asset is ready for its intended use.

**(viii) Inventories :**

Inventories as taken and certified by the Management are valued at "lower of cost and estimated net realisable value" using the following cost formulae:

- a) Raw materials and packing materials : Weighted Average Cost
- b) Store and Spares parts : At cost
- c) Materials in Bond : At cost (exclusive of customs duty)
- d) Finished goods and Work-In-Progress : Material cost plus appropriate share of production overheads
- e) Finished goods are inclusive of applicable excise duty.

**(ix) Research and Development :**

Revenue expenditure pertaining to Research and Development is expensed. Capital expenditure is treated as forming part of fixed assets.

**(x) Foreign Currency Transactions :**

Foreign currency transactions are recorded at the rates prevailing on the date of the transaction. Monetary assets and liabilities in foreign currency are translated at year - end rates. Exchange differences arising on settlement of transactions and translation of monetary items are recognised as income or expense.

In respect of liability relating to acquisition of fixed assets loss/gain, if any, arising out of such conversion, is adjusted to the cost of the fixed assets. Depreciation on the revised unamortised depreciable amount is provided prospectively in accordance with Schedule II of the Companies Act, 2013.

**(xi) Accounting for Taxes :**

Tax expense charged to the profit and loss account comprises current tax and deferred tax. Provision for current tax is made on a yearly basis, under the tax payable method after taking into consideration credit for allowances, deductions and exemptions and considering Minimum Alternate Tax, as applicable.

The deferred tax is recognised for all temporary differences at currently available tax rates.

Deferred tax assets are recognised subject to the consideration of prudence. Deferred tax assets and

liabilities are measured at the tax rates that have been enacted or substantially enacted at the balance sheet date.

**(xii) Segment Reporting :**

The company has identified Reinforced Polypropylene as the only reportable business segment.

**(xiii) Employee Benefit : As per AS 15**

The Company has adopted "Employee Benefits" as per AS 15 .

**(xiv) Related party disclosures :**

The related party relationships and / or transactions with them have been identified in accordance with Accounting Standard (AS 18)

**(xv) Impairment of Assets:**

The company determines whether there is any indication of impairment of the carrying amount of its assets. The recoverable amount of such assets are estimated, if any indication exists and impairment loss is recognized wherever the carrying amount of the assets exceeds its recoverable amount. An impairment loss is recognised in the statement of profit and loss to the extent the carrying amount exceeds the recoverable amount.

**(xvi) Earnings per share :**

The Paid up share capital of the company consists only of equity shares. The basic and diluted earnings per equity share have been computed on the basis of weighted average number of equity shares outstanding during the financial year are disclosed.



## NOTES TO THE FINANCIAL STATEMENTS

(₹ In Lacs)

As at 31-03-2017

As at 31-03-2016

## Note : 1. Share Capital

Authorised :

18,000,000 Equity Shares of ₹10/- each	1,800.00	1,800.00
300,000 16% Cumulative Redeemable Preference Shares of ₹100/- each	300.00	300.00
Total	2,100.00	2,100.00

Issued :

10,115,468 Equity Shares of ₹10/- each	1,011.55	1,011.55
Subscribed and Paid up:		
10,110,568 Equity Shares of ₹10/- each fully paid up	1,011.06	1,011.06

- i) The company is authorised to issue Equity and 16% Cumulative Redeemable Preference shares. However the company has One class of equity shares having a par value of ₹10 each . Each share holder is eligible for one vote per share. The dividend proposed by the Board of directors is subject to approval of share holders, except in case of interim dividend. In the event of liquidation, the equity share holders are eligible to receive remaining assets of the company after distribution of all preferential amounts, in proportion of their share holding.
- ii) 7,582,340 equity shares are held by the holding company, M/s. Kingfa Sci. & Tech. Co. Ltd., China in the paid up share capital of the company.
- iii) Details of shares held by shareholders holding more than 5% of the shares in the company :

Name of the shareholder	As at 31st March 2017		As at 31st March 2016	
	Nos.	% of Holding	Nos.	% of Holding
M/s. Kingfa Sci. & Tech . Co. Ltd. China	7,582,340	74.99	7,582,340	74.99
M/s. Hongkong Victory Investment Co., Limited, Hongkong	5,67,366	5.61	690,298	6.83

- iv) The company had issued 3,703,364 Equity Shares of ₹10 each at a Premium of ₹260 each through Right Issue during the financial year 2015-16.
- v) Reconciliation of numbers of Equity Shares

Opening Balance of Shares	10,110,568	6,407,204
Add: Right Issue of Shares made during the year	-	3,703,364
Closing Balance of Shares	10,110,568	10,110,568

(₹ in Lacs)

As at 31-03-2017

As at 31-03-2016

**Note : 2. Reserves and Surplus**

## Capital Reserve :

Opening Balance	67.18		19.77	
Add : Capital Subsidy received from Maharashtra Government	-	67.18	47.41	67.18

## Capital Redemption Reserve :

As per last Balance Sheet	87.09			87.09
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## Securities Premium Account :

Opening Balance	10,145.23		516.48	
Add: Premium received on Rights Issue	-	10,145.23	9,628.75	10,145.23

## General Reserve :

As per last Balance Sheet	1,122.76			1,122.76
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## Surplus/(Deficit) :

Opening Balance	(490.58)		(1,570.53)	
Profit for the year	1,183.48		1,079.95	
Closing Balance		692.90		(490.58)

Total		12,115.16		10,931.68
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**Note : 3. Long - term borrowings**

a) Loan from Related Party under ECB Scheme (Unsecured)	1,556.16	1,591.87
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The Loan under ECB Scheme is repayable after 90 / 78 months.

As at 31-03-2017

As at 31-03-2016

**Note : 4. DEFERRED TAX LIABILITIES (NET)**

a) Deferred Tax Liabilities		
Depreciation on fixed assets	441.21	389.53
b) Deferred Tax Assets		
Unabsorbed Depreciation/Losses	-	121.13
Others: Employee benefit expenses, MAT credit etc.	287.15	252.44
Sub Total	287.15	373.57
Net	154.06	15.96

**Note : 5. Other long term liabilities**

Earnest Money Deposits	8.50	8.50
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**Note : 6. Long - term Provisions**

Employee benefits	15.98	14.02
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**Note : 7. Short - term borrowings (Unsecured)**

From Banks		
Cash Credit	1,530.66	-
Buyer's credit arrangement in foreign currency	1,083.00	-
Total	2,613.66	-

**Note : 8. Trade payables**

10,561.90	8,900.89
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In the absence of information from the suppliers with regard to their registration with the specified authority, despite the company calling for such information through a circular letter, the additional disclosure as required under the Micro, Small and Medium Enterprises Development Act, 2006 is not furnished.

**Note : 9. Other current liabilities**

(a) Interest accrued but not due on borrowings	15.69	14.44
(b) Interest accrued and due on borrowings	118.06	51.35
(c) Unclaimed Dividends	0.61	0.61
(d) Statutory dues	252.21	163.05
(e) Payable for capital goods	113.33	11.88
(f) Other Liabilities (including employee benefit expenses)	477.75	301.86
Total	977.65	543.19

**Note : 10. Short term provisions**

Employee Benefit expenses & Income Tax etc.	76.79	9.21
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## Note: 11. FIXED ASSETS

(₹ in Lacs)

Description of Asset	GROSS BLOCK			DEPRECIATION / AMORTISATION			NET BLOCK	
	As at 01-04-2016	Additions	Deletions/ Adjustments	As at 31-03-2017	Upto 01-04-2016	For the year	On Withdrawals	Upto 31-03-2017
(a) Tangible Assets								
Land - Freehold	31.62	-	-	31.62	-	-	-	31.62
Lease hold	53.85	4,126.37	-	4,180.22	3.82	1.82	-	4,174.58
Buildings	1,238.04	194.07	13.23	1,418.88	435.91	45.10	1.34	939.21
Plant and Equipments	4,138.54	595.40	848.04	3,885.90	2,168.09	225.61	815.78	1,577.92
Furniture and Fixtures	93.21	0.25	8.06	85.40	87.52	8.03	14.37	4.22
Vehicles	94.22	-	0.05	94.17	73.75	10.28	0.05	10.19
Office equipments	80.49	5.13	18.95	66.67	79.15	3.68	17.33	1.17
Computer systems	101.20	15.58	13.47	103.31	100.08	8.09	10.61	5.74
<b>Total</b>	<b>5,831.17</b>	<b>4,936.80</b>	<b>901.80</b>	<b>9,886.17</b>	<b>2,948.32</b>	<b>302.61</b>	<b>859.48</b>	<b>2,391.46</b>
(b) Intangible Assets								
Computer Software	90.67	0.46	87.06	4.07	89.39	2.81	89.47	1.34
<b>Total</b>	<b>90.67</b>	<b>0.46</b>	<b>87.06</b>	<b>4.07</b>	<b>89.39</b>	<b>2.81</b>	<b>89.47</b>	<b>1.34</b>
(c) Capital work-in-progress	4,133.63	1,795.26	4,960.92	967.97	-	-	-	967.97
<b>Grand Total</b>	<b>10,055.47</b>	<b>6,732.52</b>	<b>5,949.78</b>	<b>10,838.21</b>	<b>3,037.71</b>	<b>305.42</b>	<b>948.95</b>	<b>2,394.19</b>
<b>Previous Year Total</b>	<b>5,304.77</b>	<b>4,761.16</b>	<b>10.46</b>	<b>10,055.47</b>	<b>2,751.23</b>	<b>293.93</b>	<b>7.45</b>	<b>7,017.78</b>
<b>As at 31-03-2016</b>								<b>2,882.85</b>
<b>As at 31-03-2017</b>								<b>7,017.78</b>
<b>As at 31-03-2016</b>								<b>2,882.85</b>
<b>As at 31-03-2017</b>								<b>7,017.78</b>

Note :

A) Capital Work In Progress includes ₹ 23.25 lacs being the lease amount paid to WBIDC for the lease hold land at Singhur. The possible consequential impact on the valuation of the asset is yet to quantified.

(₹ in Lacs)

As at 31-03-2017

As at 31-03-2016

**Note : 12. Long term loans and advances - (unsecured and considered good)**

(a) Security Deposits	279.94	214.35
(b) Others	0.84	0.83
Total	<u>280.78</u>	<u>215.18</u>

**Note : 13. Inventories**

Raw & Packing Materials	2,956.47	2,529.75
Raw Materials in Transit	70.66	933.72
Materials in Bond	572.90	561.19
Work-In-Progress	670.21	338.14
Finished Goods	2,079.62	1,237.80
Stock - in - Trade	427.48	246.56
Stores and Spares	119.24	82.69
	<u>6,896.58</u>	<u>5,929.85</u>

For mode of valuation refer Note I (viii)

**Note : 14. Trade Receivables (Unsecured)**

Outstanding for a period exceeding six months  
from the date due for payment

Considered good	342.20	255.68
Considered doubtful	78.82	56.27
	<u>421.02</u>	<u>311.95</u>

Less : Provision for doubtful debts

Sub total	<u>78.82</u>	<u>56.27</u>
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Outstanding for a period of less than six months  
from the date due for payment

Considered good	12,628.51	8,270.37
Considered doubtful	99.20	85.25
	<u>12,727.71</u>	<u>8,355.62</u>

Less: Provision for doubtful debts

Sub total	<u>99.20</u>	<u>85.25</u>
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Total	<u>12,970.71</u>	<u>8,526.05</u>
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(₹ in Lacs)

As at 31-03-2017

As at 31-03-2016

**Note : 15. Cash and Cash equivalents :**

(i) Cash and Cash equivalents		
a) Balances with Banks*	10,417.82	647.71
b) Cash on hand	4.68	2.71
Sub total	<u>10,422.50</u>	<u>650.42</u>
 (ii) Other Bank Balances		
a) Unclaimed Dividend accounts	0.61	0.61
Sub total	<u>0.61</u>	<u>0.61</u>
Total	<u><u>10,423.11</u></u>	<u><u>651.03</u></u>

\* Balances with Banks includes Fixed Deposits of ₹ 10300.00 Lacs (₹ 412.50 Lacs) for Short term period.

**Note : 16. Short-term loans and advances (unsecured considered good)**

Balance with Central Excise department etc.,	1,045.52	540.26
Advance Tax (Net of provisions)	-	26.66
Others - Prepaid exp, Claims receivable etc.	279.26	119.58
Total	<u><u>1,324.78</u></u>	<u><u>686.50</u></u>

**Year ended**  
**31-03-2017**

**Year ended**  
**31-03-2016**

**Note : 17. Revenue from Operations (Gross)**

(a) Sale of products	48,322.45	35,550.07
(b) Sale of services*	-	49.44
Total Revenue from Operations	<u><u>48,322.45</u></u>	<u><u>35,599.51</u></u>

\* Sale of services includes non competition fee received ₹ Nil (₹ 37.50 Lacs)

**Note:18. Other Income**

Interest Income	33.39	86.06
Profit on sale of fixed assets	5.01	3.28
Total	<u><u>38.40</u></u>	<u><u>89.34</u></u>

(₹ in Lacs)

Year ended  
31-03-2017

Year ended  
31-03-2016

**Note : 19. Cost of material consumed**

Inventory at the beginning of the year	4,024.66	1,726.88
Add: Purchases	36,202.05	27,483.24
	40,226.71	29,210.12
Less : Inventory at the end of the year	3,600.03	4,024.66
Cost of raw materials consumed	36,626.68	25,185.46

Imported and indigenous raw materials consumed

	%		%	
Imported	36.48	13,362.88	40.65	10,237.89
Indigenous	63.52	23,263.80	59.35	14,947.57
Total	100.00	36,626.68	100.00	25,185.46

Details of raw materials consumed

Polymers	25,140.90	17,492.21
Others	11,485.78	7,693.25
Total	36,626.68	25,185.46

**Note : 20. Purchase of stock- in -trade**

Polymers	888.54	896.60
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**Note : 21. Changes in Inventories of Finished goods and Work - in - Progress**

Opening Stock		
Finished Goods	1,237.80	917.38
Work - in - Progress	338.14	89.06
Sub Total	1,575.94	1,006.44
Closing Stock		
Finished Goods	2,010.09	1,237.80
Work - in - Progress	670.21	338.14
Sub Total	2,680.30	1,575.94
Changes in Inventories	(1,104.36)	(569.50)
Add: Variation in Excise duty on Opening and		
Closing Stock of Finished Goods	(69.53)	6.73
Total	(1,173.89)	(562.77)

(₹ in Lacs)

Year ended  
31-03-2017Year ended  
31-03-2016**Note : 22. Employee benefits expense (Refer also note no:27)**

Salaries and Wages	1,105.57	836.26
Contributions to:		
Provident, ESI, Super annuation and Gratuity funds	91.92	48.39
Staff Welfare Expenses	123.50	110.73
	1,320.99	995.38
Less : Considered in Research and Development Expenses	75.66	60.33
Total	1,245.33	935.05

**Note : 23. Finance costs**

Interest expense	204.37	387.93
Other borrowing costs	12.36	5.38
Net (Profit)/ Loss in foreign currency transactions / translation	(321.78)	327.67
Total	(105.05)	720.98

**Note. 24. Other Expenses**

Consumption of stores and spare parts*	128.13	77.92
Power and Fuel	792.71	557.09
Less: Considered in Research and Development Expenses	16.12	14.34
Rent	142.49	107.56
Insurance	30.63	32.41
Repairs and Maintenance		
Buildings	2.16	4.50
Plant and Machinery	30.15	27.25
Other assets	71.36	43.56
Rates and Taxes	39.55	21.89
Travelling and Conveyance	308.06	238.95
Professional & Consultancy Charges	54.42	43.89
Freight Outwards	1,076.46	694.86
Research and Development	228.16	176.64
Loss on sale/discard of fixed assets	5.15	-
Miscellaneous Expenses	367.12	286.34
	3,260.43	2,298.52
* Consumption of stores and spare parts	%	%
Imported	3.78	3.52
Indigenous	96.22	96.48
Total	100.00	100.00

(₹ in Lacs)

As at 31-03-2017

As at 31-03-2016

**Note : 25. Contingent Liabilities not provided for**

a) Letters of credit	2,066.03	1,087.92
b) Letters of guarantee	76.99	49.99
c) Commitment on capital accounts	403.34	86.84
d) Customs duty on materials-in-bond	-	22.43
e) Custom duty disputed in appeals	26.78	26.78
f) Income Tax disputed in appeals	37.82	37.82
g) Sales Tax disputed in appeals	12.94	56.87
h) Excise duty & Service Tax disputed in appeals	23.70	19.85

The future cash flows on the above items from (e) to (h) are determinable only on receipt of the decisions/judgments that are pending at various forums/authorities. The Company does not expect the outcome of these proceedings to have a materially adverse effect on its financial results.

**Note : 26. Remuneration to Auditors ( included under Miscellaneous Expenses)**

a) Statutory Audit	2.25	1.75
b) Certification and taxation matters	1.30	0.50
c) Tax Audit	1.25	0.75
	<u>4.80</u>	<u>3.00</u>

**Note : 27. Disclosure relating to Employee Benefits under Accounting Standard 15 :**

	Gratuity		Leave Encashment	
	Current Year	Previous Year	Current Year	Previous Year
a) Reconciliation of present value of obligations				
Present value of the obligation as at the				
beginning of the period	69.76	59.18	21.86	19.76
Interest Cost	5.89	4.44	1.75	1.58
Current Service Cost	7.75	7.57	1.27	1.05
Benefits Paid	(20.89)	3.61	(4.05)	0.61
Actuarial (Gain)/Loss on obligation	17.94	2.17	8.83	0.07
Present value of the obligation as at the				
end of the period	80.46	69.76	29.66	21.86

(₹ in Lacs)

	Gratuity		Leave Encashment	
	Current Year	Previous Year	Current Year	Previous Year
b) Fund movements				
Fair value of plan assets as at the				
beginning of the period	83.00	66.20	25.27	22.07
Expected return on plan assets	6.06	5.47	1.92	1.88
Contributions	-	14.94	-	1.93
Benefits Paid	(20.89)	3.61	(4.05)	0.61
Actuarial Gain/(Loss) on planned assets	-	-	-	-
Fair value of plan assets as at the end of the period	68.17	83.00	23.14	25.27
c) Amounts recognised in Balance Sheet				
Present value of the obligation at the end of the period	80.46	69.76	29.66	21.86
Fair value of the plan assets	68.17	83.00	23.14	25.27
Funded status of the plan assets	(12.28)	13.24	(6.52)	3.41
Net Asset recognised in the Balance Sheet	(12.28)	13.24	(6.52)	3.41
d) Cost for the period recognised in the P & L a/c				
Current Service Cost	7.75	7.57	1.27	1.05
Interest Cost	5.60	4.44	1.75	1.58
Expected return on plan assets	(6.08)	5.47	(1.92)	1.88
Net actuarial loss recognised in the period	17.94	2.17	8.83	0.07
(Income)/Expense recognised in the statement of profit and loss for the year	25.22	8.71	9.93	0.83
e) Actuarial assumptions				
Discount rate	8.00%	8.00%	8.00%	8.00%
Salary escalation	5.00%	5.00%	5.00%	5.00%
Rate of Return on Plan Assets	8.50%	8.50%	8.50%	8.50%
Resignations Rate (Per Annum)	2.50%	2.50%	2.50%	2.50%
Income / Expenses Recognised as per AS 15	25.22	(6.23)	9.93	(1.11)



## f) General description of Employee Benefits :

## (i) Short term Employee Benefits

The employee benefits payable wholly within 12 months of rendering the service are classified as short term benefits. Benefits such as salaries, wages, short term compensated absences and the expected cost of bonus and ex-gratia are recognised at the undiscounted amount in the year in which the employee renders the related service.

## (ii) Post Employment Benefits

(a) Provident fund is a defined contribution plan and contributions made to the fund in accordance with the applicable rules/statutes are expensed.

(b) The Employees Group Gratuity Scheme is a defined benefit plan which is funded with the Life Insurance Corporation of India and the annual contribution to the fund actuarially assessed by them is expensed.

(c) Superannuation is a defined contribution plan. The contributions in accordance with the company's scheme made to the fund administered by the Life Insurance Corporation of India are expensed.

(d) The Employee Group Gratuity Fund and the Employee Superannuation Fund respectively have been constituted through Kingfa Science and Technology (India) Limited Employees Group Gratuity Trust and Kingfa Science and Technology (India) Limited Employee Superannuation Trust in which one of the Company's director is a Trustee.

(e) Leave encashment is provided as per the Company's policies and is expensed as under :

1. The leave accumulation upto 60 days is funded through a policy with LIC of India.
2. The encashment of leave accumulated beyond 60 days is borne by the company.
3. Any difference arising out of actuarial valuation is expensed.

(₹ in Lacs)

**Note : 28. Related Party Disclosures :****i) Related parties : Names & Descriptions**

Key Management Personnel	Holding Company	Associates	Others
Mr. Bo Jingen Mr. Wu Xiaohui Mr. N K Ramaswamy Mr. S K Subramanyan Mr. Xie Dongming Mr. Nirnoy Sur	M/s Kingfa Sci. & Tech. Co., Ltd., China	M/s Shanghai Kingfa Sci And Tech Co Ltd. M/s Jiangsu Kingfa Sci.&Tech. Advanced Material Co.,Ltd. M/s Hongkong Kingfa Development Co., Ltd. M/s. Tianjin Kingfa Advanced Materials Co., Ltd. M/s. Kingfa Sci & Tech (Europe) GmbH	NIL

**ii) Related Party transactions : Description & Nature :**

Description	Key Management Personnel	Holding Company	Associates	Others
Interest	- (-)	66.96 (58.95)	- (-)	- (-)
Purchase of Materials	- (-)	1,597.00 (1,397.96)	1,284.97 (1,843.93)	- (-)
Sale of Materials	- (-)	15.93 (0.53)	53.70 (15.60)	- (-)
Remuneration	134.08 (44.29)	- (-)	- (-)	- (-)
Outstanding (from/to) as at 31.03.2017	- (-)	4030.30 (2,665.28)	3,309.50 (2,800.36)	- (-)

**Note: 29. C I F Value of Imports**

	Current Year	Previous Year
(i) Raw materials	13,299.22	10,284.11
(ii) Capital goods & Spares	371.26	187.09
(iii) Trading Materials	1,465.09	693.76

**Note: 30. Expenditure in Foreign Currency during the year**

(i) Travelling expenses	32.05	20.15
(ii) Testing charges	14.10	-
(iii) Interest paid to Banks	7.53	9.84

**Note: 31. Earnings in Foreign Currency**

FOB value of goods exported	65.50	25.06
Commission received	-	49.44

**Note: 32. Earnings Per Share**

	31-03-2017	31-03-2016
Nominal Value of Equity share (₹)	10.00	10.00
Net profit after Taxes (₹) *	1,183.48	1,079.95
Weighted average number of shares (Nos.) **	1,01,10,568	79,69,719
Basic and diluted earnings per share (₹)	11.71	13.55

\* Numerator

\*\* Denominator

**Note: 33.** Share application money represents the application money received in advance from promoter M/s. Kingfa Science and Technology Limited, China towards its rights entitlement.

**Note: 34.** Miscellaneous expenses includes ₹ 38,590/- spent towards Corporate Social Responsibility (CSR) for the year.

**Note: 35.** Disclosure in respect of specified bank notes held and transacted

Particulars	Specified Bank Notes (SBNs)	Other denomination notes & Coins"	Total (Rs.)
Closing cash in hand as on 08.11.2016	2,03,000	2,18,027	4,21,027
(+) Permitted receipts	-	-	-
(-) Permitted payments	-	-	-
(-) Amount deposited in Banks	2,03,000	-	-
<b>Closing cash in hand as on 30.12.2016</b>	-	-	-

Specified Bank Notes is defined as Bank Notes of denominations of the existing series of the value of five hundred rupees and one thousand rupees. The disclosures with respects to 'Permitted Receipts', 'Permitted Payments', 'Amount Deposited in Banks' and 'Closing Cash in Hand as on 30.12.2016' is understood to be applicable in case of SBNs only.

**Note: 36.** There being no indication of impairment of fixed assets determined by the Company, no loss has been recognized on impairment of assets.

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**Note:37.** Previous year's figures (including those given within brackets) have been regrouped/ reclassified wherever necessary to correspond to the current year's classification/ disclosure:

Figures in the financial statements have been shown as ₹ in lacs except per share data.

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## 金发科技(印度)有限公司

KINGFA SCIENCE & TECHNOLOGY (INDIA) LIMITED

(formerly Hydro S & S Industries Limited)

CIN : L25209TN1983PLC010438

Regd. Office : Dhun Building, III Floor, 827, Anna Salai,

Chennai – 600 002. Tamilnadu, India.

Phone : +91 - 44 - 28521736 Fax : +91 - 44 - 28520420

Works : Puducherry, Pune & Manesar



**KINGFA**  
**金发科技(印度)有限公司**  
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CIN : L25209TN1983PLC010438

Registered Office : Dhun Building, III Floor, 827, Anna Salai, Chennai – 600 002

Phone : 044 - 28521736, Fax : 044 – 28520420, E – mail : cs@kingfaindia.com, Website : www.kingfaindia.com

**NOTICE**  
**33<sup>RD</sup> ANNUAL GENERAL MEETING**

**NOTICE** IS HEREBY GIVEN THAT THE 33RD ANNUAL GENERAL MEETING (AGM) OF THE MEMBERS OF KINGFA SCIENCE & TECHNOLOGY (INDIA) LIMITED WILL BE HELD ON MONDAY, SEPTEMBER 25, 2017 AT 11.30 A.M. AT RAJ PARK CHENNAI, "SUMMIT HALL", 180, T.T.K. ROAD, ALWARPET, CHENNAI - 600 018 TO TRANSACT THE FOLLOWING BUSINESS:

**ORDINARY BUSINESS :**

- 1) To consider and adopt the Audited Financial Statements for the Financial Year ended March 31, 2017 and the Reports of the Board of Directors and Auditors thereon.
- 2) To appoint a Director in place of Mr. Wu Xiaohui (DIN 06617977), who retires by rotation and being eligible, offers himself for re-appointment.
- 3) To consider and if thought fit, to pass with or without modification(s), the following resolution as an **ORDINARY RESOLUTION:**

"RESOLVED THAT pursuant to the provisions of Sections 139, 142 and other applicable provisions, if any, of the Companies Act, 2013 and Rules framed thereunder (including any statutory modification(s) or re-enactments thereof for the time being in force) M/S. P.G. BHAGWAT, Chartered Accountants (FRN 101118W), be and are hereby appointed as Statutory Auditors of the Company (in place of M/s. P. Srinivasan & Co., Chartered Accountants, the retiring Auditors) for a term of five years to hold office from the conclusion of the 33rd Annual General Meeting of the Company till the conclusion of the 38th Annual General Meeting (subject to ratification of their appointment by the Members at every intervening Annual General Meeting held after this Annual General Meeting) on such remuneration plus tax, out-of-pocket expenses, as may be mutually agreed upon by the Board of Directors and the Statutory Auditors;

RESOLVED FURTHER THAT the Board of Directors of the Company (including its Committee thereof) and / or Mr. Nirnoy Sur, Company Secretary be and are hereby severally authorized to do all such acts and take all such steps as may be considered necessary, proper or expedient to give effect to this Resolution."

**SPECIAL BUSINESS :**

- 4) **Appointment of Ms. Nilima Ramrao Shinde as an Independent Director.**

To consider and if thought fit, to pass with or without modification(s), the following resolution as an **ORDINARY RESOLUTION:**

"RESOLVED THAT pursuant to the provisions of Sections 152, 161 and any other applicable provisions of the Companies Act, 2013 and the rules made thereunder (including any statutory modification(s) or re-enactment thereof for the time being in force), Ms. Nilima Ramrao Shinde (DIN 07646156), who was appointed as an Additional Director of the Company and in respect of whom the Company has received a notice in writing from a member proposing her candidature for the office of Director, be and is hereby appointed as a Director of the Company;

RESOLVED FURTHER THAT pursuant to the provisions of Sections 149 and 152 read with Schedule IV and any other applicable provisions of the Companies Act, 2013 and the rules made thereunder (including any statutory modification(s) or re-enactment thereof for the time being in force) and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 as may be in force from time to time, Ms. Nilima Ramrao Shinde (DIN 07646156), Director of the Company be and is hereby appointed as an Independent Director of the Company to hold office for a term of five consecutive years with effect from November 01, 2016 and that she shall not be liable to retire by rotation."

- 5) **Re-Appointment of Mr.Bo Jingen as Managing Director.**

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

"RESOLVED THAT pursuant to the provisions of Sections 196, 197, 198, Schedule V and other applicable provisions, if any, of the Companies Act, 2013, (including any amendment/modification thereof) and such other necessary approval(s), consent(s) or

permission(s), as may be required, the consent of the Members of the Company be and is hereby accorded to re-appoint Mr. Bo Jingen (DIN 06617986) as Managing Director of the Company, consented to retire by rotation, for a period of 3 years w.e.f. February 27, 2017 with such remuneration as set out in the Explanatory Statement provided that the total remuneration (including all perquisites) shall not exceed the ceiling limit as provided in Schedule V, Part II, of the Companies Act, 2013 or such amounts as may be specified by any amendment to the Act;

RESOLVED FURTHER THAT in case the Company has no profits or its profits are inadequate in any financial year during the tenure of re-appointment of Mr. Bo Jingen, it may pay a remuneration to Mr. Bo Jingen, which shall not exceed the ceiling as provided in Schedule V, Part II, of the Companies Act, 2013 or such amounts as may be specified by any amendment to the Act;

RESOLVED FURTHER THAT the Board of Directors and / or Company Secretary of the Company be and are hereby severally authorized to do all such acts, deeds and things and execute all such documents, instruments and writings as may be required and do all statutory filings, as mandated, as per the provisions of Companies Act, 2013."

6) **Re-Appointment of Mr. Wu Xiaohui as Whole-time Director.**

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

"RESOLVED THAT pursuant to the provisions of Sections 196, 197, 198, Schedule V and other applicable provisions, if any, of the Companies Act, 2013, (including any amendment/modification thereof) and such other necessary approval(s), consent(s) or permission(s), as may be required, the consent of the Members of the Company be and is hereby accorded to re-appoint Mr. Wu Xiaohui (DIN 06617977) as Whole-time Director of the Company, consented to retire by rotation, for a period of 3 years w.e.f. February 27, 2017 with such remuneration as set out in the Explanatory Statement provided that the total remuneration (including all perquisites) shall not exceed the ceiling limit as provided in Schedule V, Part II, of the Companies Act, 2013 or such amounts as may be specified by any amendment to the Act;

RESOLVED FURTHER THAT in case the Company has no profits or its profits are inadequate in any financial year during the tenure of re-appointment of Mr. Wu Xiaohui, it may pay a remuneration to Mr. Wu Xiaohui, which shall not exceed the ceiling as provided in Schedule V, Part II, of the Companies Act 2013 or such amounts as may be specified by any amendment to the Act;

RESOLVED FURTHER THAT the Board of Directors and / or Company Secretary of the Company be and are hereby severally authorized to do all such acts, deeds and things and execute all such documents, instruments and writings as may be required and do all statutory filings, as mandated, as per the provisions of Companies Act, 2013."

7) **Approval of Cost Auditor's remuneration.**

To consider and if thought fit, to pass with or without modification(s), the following resolution as an **ORDINARY RESOLUTION**:

"RESOLVED THAT pursuant to the provisions of Section 148 and other applicable provisions, if any, of the Companies Act, 2013, read with the Companies (Audit and Auditors) Rules, 2014 (including any statutory modification(s) or re-enactment(s) thereof, for the time being in force), Mr. K. Suryanarayanan, Cost Accountant (Registration No. 102347), appointed by the Board of Directors of the Company to conduct the audit of the cost records of the Company, be paid a remuneration, for the Financial Year ending March 31, 2018, amounting to ₹ 1,25,000/- plus tax as applicable and re-imbursement of out of pocket expenses incurred by them in connection with the aforesaid audit."

**By Order of the Board of Directors  
for Kingfa Science & Technology (India) Limited**

**Place : Chennai  
Date : July 31, 2017**

**NIRNOY SUR  
Company Secretary**

**NOTES :**

1. **A MEMBER ENTITLED TO ATTEND AND VOTE, IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER.**
2. Instrument of Proxies, in order to be effective, must be received at the Company's Registered office not later than 48 (forty eight) hours before the time fixed for holding the Annual General Meeting. A Proxy form is sent herewith.
3. The Register of Members and Share Transfer Books of the Company will remain closed from Tuesday, 19th September, 2017 to Monday, 25th September, 2017 (both days inclusive).
4. Members holding Equity Shares in physical form are requested to advise any change of address immediately to the Company's Registrar and Share Transfer Agent, M/s. Integrated Registry Management Services Private Limited, 2nd Floor, Kences Towers, No. 1, Ramakrishna Street, North Usman Road, T. Nagar, Chennai - 600 017. Members holding Equity Shares in dematerialized form must intimate the change in address to their respective Depository Participants.
5. Shareholders / Proxy holders are requested to bring their copy of the annual report with them at the meeting and to produce at the entrance, the attached attendance slip duly completed and signed for the admission to the meeting hall.
6. Members desirous of getting any information about the accounts and operation of the company are requested to address their query to the company at the registered office of the company well in advance so that the same may reach at least seven days before the date of meeting to enable the management to keep the required information readily available at the meeting.
7. A Route map showing directions to reach the venue of the 33rd Annual General Meeting is given in the Attendance Slip.
8. The Explanatory Statement pursuant to Section 102 of the Companies Act, 2013, which sets out details relating to Special Business at the Meeting, is annexed hereto.
9. **Voting through electronic means**
  - I. In compliance with provisions of Section 108 of the Companies Act, 2013, Rule 20 of the Companies (Management and Administration) Rules, 2014 as amended by the Companies (Management and Administration) Amendment Rules, 2015 and Regulation 44 of SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015, the Company is pleased to provide members facility to exercise their right to vote on resolutions proposed to be considered at the 33rd Annual General Meeting (AGM) by electronic means and the business may be transacted through e-Voting Services. The facility of casting the votes by the members using an electronic voting system from a place other than venue of the AGM ("remote e-voting") will be provided by National Securities Depository Limited (NSDL).
  - II. The facility for voting through ballot paper shall be made available at the AGM and the members attending the meeting who have not cast their vote by remote e-voting shall be able to exercise their right at the meeting through ballot paper.
  - III. The members who have cast their vote by remote e-voting prior to the AGM may also attend the AGM but shall not be entitled to cast their vote again.
  - IV. The remote e-voting period commences on 21st September, 2017 (9:00 am) and ends on 24th September, 2017 (5:00 pm). During this period members of the Company, holding shares either in physical form or in dematerialized form, as on the cut-off date of 18th September, 2017, may cast their vote by remote e-voting. The remote e-voting module shall be disabled by NSDL for voting thereafter. Once the vote on a resolution is cast by the member, the member shall not be allowed to change it subsequently.
  - V. The process and manner for remote e-voting are as under:
    - A. In case a Member receives an email from NSDL [for members whose email IDs are registered with the Company/Depository Participants(s)]:
      - (i) Open email and open PDF file viz; "Kingfa India remote e-Voting.pdf" with your Client ID or Folio No. as password. The said PDF file contains your user ID and password/PIN for remote e-voting. Please note that the password is an initial password.
      - (ii) Launch internet browser by typing the following URL: <https://www.evoting.nsdl.com>
      - (iii) Click on Shareholder – Login
      - (iv) Put user ID and password as initial password/PIN noted in step (i) above. Click Login.
      - (v) Password change menu appears. Change the password/PIN with new password of your choice with minimum 8 digits/characters or combination thereof. Note new password. It is strongly recommended not to share your password with any other person and take utmost care to keep your password confidential.
      - (vi) Home page of remote e-voting opens. Click on remote e-Voting: Active Voting Cycles.
      - (vii) Select "REVEN" (Remote E-Voting Event Number) of Kingfa Science & Technology (India) Limited.
      - (viii) Now you are ready for remote e-voting as Cast Vote page opens.

- (ix) Cast your vote by selecting appropriate option and click on "Submit" and also "Confirm" when prompted.
  - (x) Upon confirmation, the message "Vote cast successfully" will be displayed.
  - (xi) Once you have voted on the resolution, you will not be allowed to modify your vote.
  - (xii) Institutional shareholders (i.e. other than individuals, HUF, NRI etc.) are required to send scanned copy (PDF/JPG Format) of the relevant Board Resolution/ Authority letter etc. together with attested specimen signature of the duly authorized signatory(ies) who are authorized to vote, to the Scrutinizer through e-mail to pssrinivasan1939@gmail.com or evoting@kingfaindia.com with a copy marked to evoting@nsdl.co.in
- B. In case a Member receives physical copy of the Notice of AGM [for members whose email IDs are not registered with the Company / Depository Participants(s) or requesting physical copy] :
- (i) Initial password is provided as below/at the bottom of the Attendance Slip for the AGM :  
**REVEN (Remote e-voting Event Number) USER ID PASSWORD / PIN**
  - (ii) Please follow all steps from Sl. No. (ii) to Sl. No. (xii) above, to cast vote.
- VI. In case of any queries, you may refer the Frequently Asked Questions (FAQs) for Members and remote e-voting user manual for Members available at the download section of [www.evoting.nsdl.com](http://www.evoting.nsdl.com) or call on toll free no.: 1800-222-990.
- VII. If you are already registered with NSDL for remote e-voting then you can use your existing user ID and password/PIN for casting your vote.
- VIII. You can also update your mobile number and e-mail id in the user profile details of the folio which may be used for sending future communication(s).
- IX. The voting rights of members shall be in proportion to their shares of the paid up equity share capital of the Company as on the cut-off date of 18th September, 2017.
- X. Any person, who acquires shares of the Company and become member of the Company after dispatch of the Notice of AGM and holding shares as of the cut-off date i.e. 18th September, 2017, may obtain the login ID and password by sending a request at [evoting@nsdl.co.in](mailto:evoting@nsdl.co.in) or [yuvraj@integratedindia.in](mailto:yuvraj@integratedindia.in). However, if you are already registered with NSDL for remote e-voting then you can use your existing user ID and password for casting your vote. If you forgot your password, you can reset your password by using "Forgot User Details/Password" option available on [www.evoting.nsdl.com](http://www.evoting.nsdl.com)
- XI. A person, whose name is recorded in the register of members or in the register of beneficial owners maintained by the depositories as on the cut-off date only shall be entitled to avail the facility of remote e-voting as well as voting at the AGM through ballot paper.
- XII. Mr.P.S.Srinivasan, Practising Company Secretary (C.P. No.3122) has been appointed as the Scrutinizer to scrutinize the voting and remote e-voting process in a fair and transparent manner.
- XIII. The Chairman shall, at the AGM, at the end of discussion on the resolutions on which voting is to be held, allow voting with the assistance of scrutinizer, by use of ballot paper for all those members who are present at the AGM but have not cast their votes by availing the remote e-voting facility.
- XIV. The Scrutinizer shall after the conclusion of voting at the AGM, will first count the votes cast at the meeting and thereafter unblock the votes cast through remote e-voting in the presence of at least two witnesses not in the employment of the Company and shall make, not later than three days of the conclusion of the AGM, a consolidated scrutinizer's report of the total votes cast in favour or against, if any, to the Chairman or a person authorized by him in writing, who shall countersign the same and declare the result of the voting forthwith.
- XV. The Results declared alongwith the report of the Scrutinizer shall be placed on the website of the Company [www.kingfaindia.com](http://www.kingfaindia.com) and on the website of NSDL immediately after the declaration of result by the Chairman or a person authorized by him in writing. The results shall also be communicated to BSE Limited and National Stock Exchange of India Limited, where the shares of the Company are listed.
10. The documents referred to in this notice and explanatory statement are available for inspection during business hours on all working days (except Saturdays, Sundays and holidays) at the Registered Office of the Company up to and including the date of the Annual General Meeting.



## EXPLANATORY STATEMENT IN RESPECT OF THE SPECIAL BUSINESS PURSUANT TO SECTION 102 OF THE COMPANIES ACT, 2013

### Item No. 4

#### Appointment of Ms. Nilima Ramrao Shinde as an Independent Director

The Board of Directors of the Company on the recommendation of the Nomination and Remuneration Committee, vide resolution dated November 01, 2016 had appointed Ms. Nilima Ramrao Shinde as an Additional Director on the Board of the Company. Further, in terms of provisions of Sections 149 and 152 read with Schedule IV of the Companies Act, 2013 (hereinafter referred as 'the Act') and rules made thereunder, the Board of Directors of the Company had also appointed (subject to the approval of the members at the ensuing General Meeting), Ms. Nilima Ramrao Shinde as an Independent Director of the Company within the meaning of Section 149(6) of the Companies Act, 2013 and Regulation 17 of the SEBI (Listing Obligations and Disclosure Requirements), Regulations, 2015 for a term of 5 consecutive years commencing from November 01, 2016.

The Company has also received a declaration from Ms. Nilima Ramrao Shinde as specified under Section 149(6) and Schedule IV of the Companies Act, 2013. Considering her vast experience, her presence on the Board will be of immense value to the Company.

The Company has received a notice in writing from a member along with deposit of the requisite amount pursuant to Section 160 of the Act, proposing the candidature of Ms. Nilima Ramrao Shinde for the office of Independent Director of the Company, to be appointed as such under the provisions of Section 149 of the Act.

None of the Directors and / or Key Managerial Personnel of the Company and their relatives other than Ms. Nilima Ramrao Shinde is in any way concerned or interested, financial or otherwise, in the said Resolution.

In the opinion of the Board, Ms. Nilima Ramrao Shinde, proposed to be appointed as an Independent Director, fulfills the conditions specified in the Companies Act, 2013 and the rules made thereunder, and is independent of the management.

The Board of Directors recommends the Ordinary Resolution set out at Item No.4 of the Notice for approval by the Members.

A brief profile of Ms. Nilima Ramrao Shinde is given below:

Ms. Nilima Ramrao Shinde joined in Karnik & Karnik in the year 1986 as an legal Associate. In the year 1994 she joined in Krupp Industries as Executive Legal. From the year 1995 to 1998 she was associated with Bharat Forge Limited as Manager Legal. Currently she is the Group Legal Head of Thermax Limited.

#### Business Excellence & Achievements

Have successfully concluded negotiations and secured repeat contracts with Dangote Industries – Nigeria and Longulf Trading – UK for National Cements Company – Yemen.

Secured appointment of Thermax as dedicated Vendor by Shell – Amsterdam & Singapore.

Conclude a dispute with GE – Florence, Italy prior to its escalation into litigation.

Won arbitration awards against PSU's such as ONGC, IOCL and Gail as well as recovered moneys.

Received reliefs from the Supreme Court in favour of Thermax Limited.

Further details of Ms. Nilima Ramrao Shinde have been provided in Annexure 1.

### Item No. 5

#### Re-Appointment of Mr. Bo Jingen as Managing Director

The Board of Directors of the Company at its Meeting held on 13th February, 2017 has, subject to approval of members, re-appointed Mr. Bo Jingen (DIN 06617986) as a Managing Director, for a further period of 3 (three) years with effect from February 27, 2017.

The remuneration payable to Mr. Bo Jingen is within the overall ceiling approved vide special resolution passed by the members at their meeting held on September 28, 2015 and other terms and conditions remains the same. So there is no change in the Remuneration payable to Mr. Bo Jingen, Managing Director of the Company and which is same as Special Resolution passed on September 28, 2015, not exceeding ₹ 25 Lakh per annum.

Mr. Bo Jingen satisfies all the conditions set out in Part-I of Schedule V to the Act as also conditions set out under sub-section (3) of Section 196 of the Act for being eligible for his re-appointment. He is not disqualified from being appointed as Director in terms of Section 164 of the Act.

The above may be treated as a written memorandum setting out the terms of re-appointment of Mr.Bo Jingen under Section 190 of the Act.

Details of Mr.Bo Jingen are provided in the Annexure 1 to the Notice pursuant to the provisions of (i) the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 and (ii) Secretarial Standard on General Meetings ("SS-2") issued by the Institute of Company Secretaries of India.

Mr.Bo Jingen does not hold any shares in the Company.

None of the Directors and / or Key Managerial Personnel of the Company and their respective relatives other than Mr.Bo Jingen is in any way concerned or interested, financial or otherwise, in the said Resolution.

The Special resolution proposed to be passed is an enabling resolution, permitting the Company to pay the fixed remuneration even during absence or inadequacy of profits in any financial year, in compliance with Section 197 read with Schedule V of the Companies Act, 2013.

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



**Item No. 6****Re-appointment of Mr. Wu Xiaohui as Whole-time Director**

The Board of Directors of the Company at its Meeting held on 13th February, 2017 has, subject to approval of members, re-appointed Mr. Wu Xiaohui (DIN 06617977) as a Whole-time Director, for a further period of 3 (three) years with effect from February 27, 2017.

The remuneration payable to Mr. Wu Xiaohui is within the overall ceiling approved vide special resolution passed by the members at its meeting held on September 28, 2015, the other terms and conditions remains the same. So there is a no change in Remuneration payable to Mr. Wu Xiaohui and which is same as Special Resolution passed on September 28, 2015, not exceeding ₹ 20 Lakh per annum.

Mr. Wu Xiaohui satisfies all the conditions set out in Part-I of Schedule V to the Act as also conditions set out under sub-section (3) of Section 196 of the Act for being eligible for his re-appointment. He is not disqualified from being appointed as Director in terms of Section 164 of the Act.

The above may be treated as a written memorandum setting out the terms of re-appointment of Mr. Wu Xiaohui under Section 190 of the Act.

Details of Mr. Wu Xiaohui are provided in the Annexure 1 to the Notice pursuant to the provisions of (i) the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 and (ii) Secretarial Standard on General Meetings ("SS-2") issued by the Institute of Company Secretaries of India.

Mr. Wu Xiaohui does not hold any shares in the Company.

None of the Directors and / or Key Managerial Personnel of the Company and their respective relatives other than Mr. Wu Xiaohui is in any way concerned or interested, financial or otherwise, in the said Resolution.

The Special resolution proposed to be passed is an enabling resolution, permitting the Company to pay the fixed remuneration even during absence or inadequacy of profits in any financial year, in compliance with Section 197 read with Schedule V of the Companies Act, 2013.

The Board of Directors recommends the Special Resolution set out at Item No.6 of the Notice for approval by the Members.

**Item No. 7****Approval of cost auditor's remuneration**

The Board of Directors of the Company on the recommendation of the Audit Committee, approved the appointment and remuneration of Mr.K.Suryanarayanan, Cost Accountant, to conduct the audit of the Cost records of the Company on a remuneration of ₹ 1,25,000/- (excluding all taxes and reimbursement of out of pocket expenses) for the Financial Year ending March 31, 2018.

In terms of the provisions of Section 148 of the Companies Act, 2013 read with Rule 14 of the Companies (Audit and Auditors) Rules, 2014, the remuneration as mentioned above, payable to the Cost Auditor is required to be ratified by the Members of the Company. Accordingly, the Members are requested to ratify the remuneration payable to the Cost Auditor for the Financial Year ending March 31, 2018, as set out in the Ordinary Resolution for the aforesaid services to be rendered by them.

None of the Directors and / or Key Managerial Personnel of the Company or their relatives is concerned or interested, financial or otherwise, in the said Resolution.

The Board of Directors recommends the Ordinary Resolution set out at Item No. 7 of the Notice for approval by the Members.

By Order of the Board of Directors  
**for Kingfa Science & Technology (India) Limited**

**Place : Chennai**

**Date : July 31, 2017**

**NIRNOY SUR**  
**Company Secretary**

## ANNEXURE 1

## DETAILS OF DIRECTOR SEEKING RE-APPOINTMENT / APPOINTMENT AT THE FORTHCOMING ANNUAL GENERAL MEETING

[In pursuance of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and Clause 1.2.5 of Secretarial Standards-2 on General Meetings]

Particulars	Item No.4	Item No.5	Item No.2 & 6
Name of the Director	Ms. Nilima Ramrao Shinde	Mr. Bo Jingen	Mr. Wu Xiaohui
DIN	07646156	06617986	06617977
Date of Birth, Age	29/07/1960, 57 years	07/03/1982, 35 years	09/04/1979, 38 years
Date of first appointment on the Board	01.11.2016	03.07.2013	03.07.2013
Qualifications	BA Psychology, LLB, Consumer Protection Law, International Business	Master's degree in Polymer Science	Master's degree in Polymer Science
Experience and Expertise	Legal	Marketing and Sales	Technical Support
Number of Meetings of the Board attended during the year	1 out of 1	4 out of 4	2 out of 4
List of Directorship / Membership / Chairmanship of Committees of other Board	–	–	–
Shareholding in the Company	NIL	NIL	NIL
Relationship with other Directors, Manager and other Key Managerial Personnel of the Company	–	–	–
Terms and Conditions of appointment or re-appointment along with details of remuneration sought to be paid and remuneration last drawn by such person	As per Nomination and Remuneration Policy of the Company for Independent Directors.	Same as Special Resolution passed on 28th September, 2015 by the members of the Company, not exceeding ₹ 25 Lakh P.A.	Same as Special Resolution passed on 28th September, 2015 by the members of the Company, not exceeding ₹ 20 Lakh P.A.
Justification for choosing the appointees for appointment as Independent Director	Vast experience in the Legal field.	NA	NA

By Order of the Board of Directors  
for Kingfa Science & Technology (India) Limited

Place : Chennai  
Date : July 31, 2017

NIRNOY SUR  
Company Secretary

**Change in Name of Registrar and Share Transfer Agent**

The registry services of our Registrar and Share Transfer Agent, Integrated Enterprises (India) Limited has been demerged to Integrated Registry Management Services Private Limited with no effective change of ownership or management or the operational team, office location etc. Hence Shareholders are requested to send the documents / correspondence relating to the Company's securities and share transfer activity to the following address:

**Integrated Registry Management Services Private Limited**

2nd Floor, Kences Towers, No:1, Ramakrishna Street,

North Usman Road, T. Nagar, Chennai-600017

Phone: 044 – 28140801 - 3, Fax: 044 – 28142479

E-mail: [yuvraj@integratedindia.in](mailto:yuvraj@integratedindia.in)

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**IMPORTANT COMMUNICATION TO MEMBERS**

The Ministry of Corporate Affairs has taken a "Green Initiative in the Corporate Governance" by allowing paperless compliances by the Companies and has issued circulars stating that service of notice / documents including Annual Report can be sent by e-mail to its members. To support this green initiative of the Government in full measure, members who have not registered their e-mail addresses, so far, are requested to give their consent by providing their e - mail Id to the Company's Registrar and Share Transfer Agent, M/s. Integrated Registry Management Services Private Limited, to their e-mail ID i.e., [yuvraj@integratedindia.in](mailto:yuvraj@integratedindia.in)

**KiNGFA**  
**金发科技(印度)有限公司**  
**KINGFA SCIENCE & TECHNOLOGY (INDIA) LIMITED**  
(formerly Hydro S & S Industries Limited)

CIN : L25209TN1983PLC010438

**Registered Office :** Dhun Building, III Floor, 827, Anna Salai, Chennai - 600 002.

Phone : +91 - 44 - 28521736, Fax : +91 - 44 - 28520420, E-mail : cs@kingfaindia.com, Website : www.kingfaindia.com

**ATTENDANCE SLIP**

**33<sup>RD</sup> ANNUAL GENERAL MEETING**

Number of Shares:

I/We hereby record my/our presence at the 33<sup>rd</sup> Annual General Meeting of the Company at Raj Park Chennai, "Summit Hall", 180, T.T.K. Road, Alwarpet, Chennai - 600 018 on Monday, September 25, 2017 at 11.30 a.m.

Member's Folio/  
DP ID-Client ID No.

Member's/Proxy's name  
in Block Letters

Member's/Proxy's  
Signature

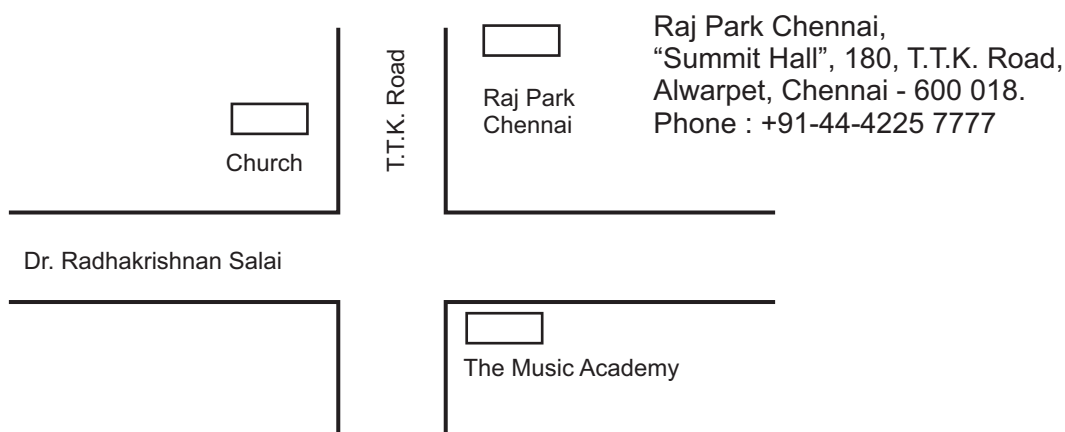
**Voting through Electronic means**

REVEN (Remote e-voting Event Number)	USER ID	PASSWORD/PIN

**Note :**

1. Please complete the Folio/DP ID-Client ID No. and name, sign this Attendance Slip and hand it over at the ENTRANCE OF THE MEETING HALL.
2. Electronic copy of the Annual Report for 2016-17 and Notice of the Annual General Meeting (AGM) along with Attendance Slip and Proxy Form is being sent to all the members whose email address is registered with the Company/Depository Participant unless any member has requested for a hard copy of the same. Members receiving electronic copy and attending the AGM can print copy of this Attendance Slip.
3. Physical copy of the Annual Report for 2016-17 and Notice of the Annual General Meeting (AGM) along with Attendance Slip and Proxy Form is sent in the permitted mode(s) to all members whose e-mail is not registered or have requested for a hard copy.

**Route map of the venue of the AGM**



# KINGFA 金发科技(印度)有限公司

KINGFA SCIENCE & TECHNOLOGY (INDIA) LIMITED

(formerly Hydro S & S Industries Limited)

CIN : L25209TN1983PLC010438

Registered Office : Dhun Building, III Floor, 827, Anna Salai, Chennai - 600 002.

Phone : +91 - 44 - 28521736, Fax : +91 - 44 - 28520420, E-mail : cs@kingfaindia.com, Website : www.kingfaindia.com

## PROXY FORM (Form No. MGT-11)

[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./Client ID, DP ID : .....

I/We, being the member (s) of ..... shares of the above named company, hereby appoint

1. Name: ..... Address: .....

E-mail ID: ..... Signature: ..... or failing him/her,

2. Name: ..... Address: .....

E-mail ID: ..... Signature: ..... or failing him/her,

3. Name: ..... Address: .....

E-mail ID: ..... Signature: .....

as my/our proxy to attend and vote (on a poll) for me/us and on my/our behalf at the 33<sup>rd</sup> Annual General Meeting of the Company to be held on Monday, September 25, 2017 at 11.30 a.m. at Raj Park Chennai, "Summit Hall", 180, T.T.K. Road, Alwarpet, Chennai - 600 018, and at any adjournment thereof in respect of such resolutions as are indicated below:

Resolution No.	Resolutions	Optional	
Ordinary Business		For	Against
1.	Adoption of Audited Financial Statements for the Financial Year ended March 31, 2017 and the Reports of the Board of Directors and Auditors thereon.		
2.	To appoint a Director in place of Mr. Wu Xiaohui, who retires by rotation and being eligible, offers himself for re-appointment.		
3.	Appointment of M/S. P.G. BHAGWAT, Chartered Accountants as Statutory Auditors of the Company.		
Special Business			
4.	Appointment of Ms. Nilima Ramrao Shinde as an Independent Director.		
5.	Re-Appointment of Mr.Bo Jingen as Managing Director for a period of 3 years w.e.f. February 27, 2017.		
6.	Re-Appointment of Mr.Wu Xiaohui as Whole-time Director for a period of 3 years w.e.f. February 27, 2017.		
7.	Approval of Cost Auditor's remuneration.		

Signed this ..... day of ..... 2017.

Signature of Shareholder :

Signature of Proxy holder(s) :

Note:

- This form of proxy in order to be effective should be duly completed, stamped, signed and deposited at the Registered Office of the Company, not less than 48 hours before the commencement of the Meeting
- It is optional to put a (✓) in the appropriate column against the resolutions indicated in the box. If you leave the 'For' or 'Against' column blank against any or all resolutions, your proxy will be entitled to vote in the manner as he/she thinks appropriate.
- Please complete all details of member(s) before submission.

Affix  
Revenue  
Stamp ₹.1/-