



39TH ANNUAL
REPORT
2019-20



HP COTTON
TEXTILE MILLS LTD

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Chairman & Managing Director

Mr. Kailash Kumar Agarwal

Executive Director, CEO & CFO

Mr. Raghav Kumar Agarwal

Independent Directors

Mr. Parshotam Dass Agarwal

Mr. Mohan Lal Jain

Mrs. Ritu Bansal

Company Secretary and Compliance Officer

Mr. Shubham Jain

REGISTRAR & SHARE TRANSFER AGENT

Alankit Assignments Ltd.

4E/ 2, Jhandewalan Extension,

New Delhi – 110055

Tel: +91 11 42541234

Fax: +91 11 23552001

Email: info@alankit.com

Website: www.alankit.com

STATUTORY AUDITORS

Walker Chandiook & Co. LLP

L-41, Connaught Circus, Outer Circle,
New Delhi – 110001

SECRETARIAL AUDITORS

M/s Tarun Jain & Associates

Company Secretaries

805, Padma Tower-I, Rajendra Place,
New Delhi-110008

BANKERS

State Bank of India

REGISTERED OFFICE

15th K.M. Stone, Delhi Road,

V.P.O. Mayar, Hisar 125044 (Haryana)

CIN: L18101HR1981PLC012274

CORPORATE OFFICE

F (0), The Mira Corporate Suites

1 & 2, Old Ishwar Nagar, Mathura Road,

New Delhi – 110065

Tel: +91 11 41540471/72/73

Fax: +91 11 49073410

E-mail: info@hpthreads.com

Website: www.hpthreads.com

**H.P. COTTON TEXTILE MILLS LIMITED
(CIN: L18101HR1981PLC012274)**

Regd. Office: 15th K.M. Stone, Delhi Road, V.P.O. Mayar, Hisar-125044

Website: www.hpthreads.com **E-mail:** info@hpthreads.com

Tel: +91 11 41540471/72/73, **Fax:** +91 11 49073410

**NOTICE
39TH ANNUAL GENERAL MEETING**

NOTICE is hereby given that the Thirty Ninth (39th) Annual General Meeting of the Members of H.P. Cotton Textile Mills Limited will be held on **Tuesday, the 29th day of September, 2020 at 11:30 AM IST** through Video Conferencing (“VC”)/ Other Audio-Visual Means (“OAVM”) on account of outbreak of COVID-19 (Coronavirus) Pandemic and in accordance with the relevant Circulars issued by the Ministry of Corporate Affairs, to transact the following business:

ORDINARY BUSINESS:

1. To consider and adopt the Audited Financial Statements of the Company for the financial year ended March 31, 2020 and the reports of the Board of Directors and Auditors thereon.
2. To appoint a Director in place of Mr. RaghavKumar Agarwal (DIN: 02836610), who retires by rotation and being eligible, seeks re-appointment.

SPECIAL BUSINESS:

3. To appoint Mrs. Ritu Bansal as a Director (Non-Executive) of the Company.

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

“RESOLVED THAT Mrs. Ritu Bansal (DIN: 03619069), who was appointed by the Board of Directors as an Additional Director of the Company effective from September 02, 2020 and who holds office up to the date of this Annual General Meeting of the Company in terms of Section 161 of the Companies Act, 2013 (“Act”) and who qualifies for being appointed as a Director and in respect of whom the Company has received a notice in writing from a member under Section 160 of the Act proposing her candidature for the office of Director of the Company, be and is hereby appointed a Director of the Company liable to retire by rotation;

RESOLVED FURTHER THAT for the purpose of giving effect to this Resolution, any Director of the Company, or the Company Secretary, be and are hereby severally authorized to do all acts, deeds, matters, and things, as deemed necessary, proper or desirable including, but not limited to, sign (including digitally sign) execute, and certify all necessary documents, applications and returns along with filing of necessary e-forms with the Registrar of Companies.”

By Order of the Board of Directors

Place: **New Delhi**
Date: **September 01, 2020**

-Sd-
Shubham Jain
Membership Number: A49541
Company Secretary

NOTES:

1. The explanatory statement pursuant to Section 102 of the Companies Act, 2013 ('the Act'), setting out material facts concerning the business under item no. 3 of the Notice is annexed hereto. The relevant details as required under Regulation 36(3) of Securities Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ('Listing Regulations') and Secretarial Standard on General Meetings ('SS-2'), issued by the Institute of Company Secretaries of India, in respect of Directors seeking appointment/re-appointment at this Annual General Meeting ('AGM')/ 'the meeting') is also annexed as **Annexure-A**.
2. Considering the present COVID-19 pandemic, the Ministry of Corporate Affairs ("MCA") has vide its circulars dated April 8, 2020, April 13, 2020, May 5, 2020 and June 15, 2020 and the SEBI Circular No. SEBI/HO/CFD/CMD1/CIR/P/2020/79 dated May 12, 2020 (collectively referred to as the "Circulars") permitted convening the Annual General Meeting ("AGM" / "Meeting") through Video Conferencing ("VC") or Other Audio Visual Means ("OAVM"), without the physical presence of the members at a common venue. In accordance with the Circulars, provisions of the Companies Act, 2013 ('the Act') and the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("SEBI Listing Regulations"), the AGM of the Company is being held through VC / OAVM.
3. Generally, a member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote on a poll instead of himself and the proxy need not be a member of the Company. Since this AGM is being held through VC / OAVM pursuant to the Circulars, physical attendance of members has been dispensed with. Accordingly, the facility for appointment of proxies by the members will not be available for the AGM and hence the Proxy Form and Attendance Slip are not annexed hereto. However, in pursuance of Section 112 and Section 113 of the Companies Act, 2013, representatives of the members such as the President of India or the Governor of a State or body corporate can attend the AGM through VC/OAVM and cast their votes through e-voting.
4. Institutional/Corporate members (i.e. other than individuals/HUF, NRI etc) are required to send a scanned copy (PDF/JPEG format) of its Board or Governing Body resolution/authorisation etc authorising its representative to attend the AGM through VC/OAVM on its behalf and to vote through remote e-voting pursuant to section 113 of the Act. The said resolution/authorisation shall be sent to the Company via email through its registered email address at cs@hpthreads.com with a copy to siroyam@gmail.com
5. Since the AGM will be held through VC/ OAVM, the route map of the venue of the Meeting is not annexed hereto.
6. The Company is pleased to provide two-way VC facility through VC / OAVM.
7. **DISPATCH OF ANNUAL REPORT THROUGH ELECTRONIC MODE:**

In compliance with the Circulars, Notice of the AGM along with the Annual Report 2019-20 is being sent only through electronic mode to those Members whose email addresses are registered with the Company/ Depositories.
8. In line with the Circulars, the Notice calling the AGM has been uploaded on the website of the Company at www.hpthreads.com. The Notice can also be accessed from the websites of the Stock Exchange i.e. BSE Limited at www.bseindia.com. The AGM Notice is also disseminated on the website of CDSL (agency for providing the Remote e-Voting facility and e-voting system during the AGM) i.e. www.evotingindia.com.
9. For receiving all communication (including Annual Report) from the Company electronically:
 - a) Members holding shares in physical mode and who have not registered / updated their email address with the Company are requested to register / update the same by writing to the Company with details of folio number, email-id and attaching a self-attested copy of PAN card at RTA at rta@alankit.com
 - b) Members holding shares in dematerialised mode are requested to register / update their email addresses with the relevant Depository Participant

10. Pursuant to the provisions of Section 108 of the Companies Act, 2013 read with Rule 20 of the Companies (Management and Administration) Rules, 2014 (as amended) and Regulation 44 of SEBI (Listing Obligations & Disclosure Requirements) Regulations 2015 (as amended), and MCA Circulars the Company is providing facility of remote e-voting to its Members in respect of the business to be transacted at the AGM. For this purpose, the Company has entered into an agreement with Central Depository Services (India) Limited (CDSL) for facilitating voting through electronic means, as the authorized e-Voting's agency. The facility of casting votes by a member using remote e-voting as well as the e-voting system during the AGM will be provided by CDSL.
11. The Members can join the AGM in the VC/OAVM mode 30 minutes before and after the scheduled time of the commencement of the Meeting by following the procedure mentioned in the Notice. The facility of participation at the AGM through VC/OAVM will be made available to atleast 1000 members on first come first served basis. This will not include large Shareholders (Shareholders holding 2% or more shareholding), Promoters, Institutional Investors, Directors, Key Managerial Personnel, the Chairpersons of the Audit Committee, Nomination and Remuneration Committee and Stakeholders Relationship Committee, Auditors etc. who are allowed to attend the AGM without restriction on account of first come first served basis.
12. The attendance of the Members attending the AGM through VC/OAVM will be counted for the purpose of ascertaining the quorum under Section 103 of the Companies Act, 2013.
13. In case of joint holders attending the meeting, only such joint holder who is higher in the order of names will be entitled to vote at the Meeting.
14. The Voting rights of Members shall be in proportion to their shares of the paid-up Equity Share Capital of the Company as on Cut-off Date of **September 22, 2020**.
15. **INTRUCTIONS FOR SHAREHOLDRES FOR REMOTE E-VOTING ARE AS UNDER:**
 - (i) The voting period begins on **September 26, 2020 at 9.00 A.M. and ends on September 28, 2020 at 5.00 P.M.** During this period shareholders of the Company, holding shares either in physical form or in dematerialized form, as on the cut-off date (record date) of **September 22, 2020** may cast their vote electronically. The e-voting module shall be disabled by CDSL for voting thereafter.
 - (ii) Shareholders who have already voted prior to the meeting date would not be entitled to vote at the meeting venue.
 - (iii) The shareholders should log on to the e-voting website www.evotingindia.com.
 - (iv) Click on "Shareholders" module.
 - (v) Now enter your User ID
 - a. For CDSL: 16 digits beneficiary ID,
 - b. For NSDL: 8 Character DP ID followed by 8 Digits Client ID,
 - c. Shareholders holding shares in Physical Form should enter Folio Number registered with the Company.

OR

Alternatively, if you are registered for CDSL's **EASI/EASIEST** e-services, you can log-in at <https://www.cdslindia.com> from **Login - Myeasi** using your login credentials. Once you successfully log-in to CDSL's **EASI/EASIEST** e-services, click on **e-Voting** option and proceed directly to cast your vote electronically.
- (vi) Next enter the Image Verification as displayed and Click on Login.
- (vii) If you are holding shares in demat form and had logged on to www.evotingindia.com and voted on an earlier e-voting of any company, then your existing password is to be used.

- (viii) If you are a first time user follow the steps given below:

| For Shareholders holding shares in Demat Form and Physical Form | |
|--|--|
| PAN | Enter your 10 digit alpha-numeric *PAN issued by Income Tax Department (Applicable for both demat shareholders as well as physical shareholders) Shareholders who have not updated their PAN with the Company/Depository Participant are requested to use the sequence number sent by Company/RTA or contact Company/RTA. |
| Dividend Bank Details | Enter the Dividend Bank Details or Date of Birth (in dd/mm/yyyy format) as recorded in your demat account or in the company records in order to login. |
| OR | |
| Date of Birth (DOB) | If both the details are not recorded with the depository or company please enter the member id / folio number in the Dividend Bank details field as mentioned in instruction (v). |

- (ix) After entering these details appropriately, click on “SUBMIT” tab.
- (x) Shareholders holding shares in physical form will then directly reach the Company selection screen. However, shareholders holding shares in demat form will now reach ‘Password Creation’ menu wherein they are required to mandatorily enter their login password in the new password field. Kindly note that this password is to be also used by the demat holders for voting for resolutions of any other company on which they are eligible to vote, provided that company opts for e-voting through CDSL platform. It is strongly recommended not to share your password with any other person and take utmost care to keep your password confidential.
- (xi) For shareholders holding shares in physical form, the details can be used only for e-voting on the resolutions contained in this Notice.
- (xii) Click on the EVSN of H.P. COTTON TEXTILE MILLS LIMITED on which you choose to vote.
- (xiii) On the voting page, you will see “RESOLUTION DESCRIPTION” and against the same the option “YES/ NO” for voting. Select the option YES or NO as desired. The option YES implies that you assent to the Resolution and option NO implies that you dissent to the Resolution.
- (xiv) Click on the “RESOLUTIONS FILE LINK” if you wish to view the entire Resolution details.
- (xv) After selecting the resolution you have decided to vote on, click on “SUBMIT”. A confirmation box will be displayed. If you wish to confirm your vote, click on “OK”, else to change your vote, click on “CANCEL” and accordingly modify your vote.
- (xvi) Once you “CONFIRM” your vote on the resolution, you will not be allowed to modify your vote.
- (xvii) You can also take a print of the votes cast by clicking on “Click here to print” option on the Voting page.
- (xviii) If a demat account holder has forgotten the login password then Enter the User ID and the image verification code and click on Forgot Password & enter the details as prompted by the system.
- (xix) Shareholders can also cast their vote using CDSL’s mobile app “**m-Voting**”. The m-Voting app can be downloaded from respective Store. Please follow the instructions as prompted by the mobile app while Remote Voting on your mobile.
- (xx) Note for Non – Individual Shareholders and Custodians
- Non-Individual shareholders (i.e. other than Individuals, HUF, NRI etc.) and Custodians are required to log on to www.evotingindia.com and register themselves in the “Corporates” module.

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

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

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

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

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

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

- (i) Shareholder will be provided with a facility to attend the AGM through VC/OAVM through the CDSL e-Voting system. Shareholders may access the same at <https://www.evotingindia.com> under shareholders/ members login by using the remote e-voting credentials. The link for VC/OAVM will be available in shareholder/members login where the EVSN of Company will be displayed.
- (ii) Shareholders are encouraged to join the Meeting through Laptops / IPads for better experience.

- (iii) Further shareholders will be required to allow Camera and use Internet with a good speed to avoid any disturbance during the meeting.
 - (iv) Please note that Participants Connecting from Mobile Devices or Tablets or through Laptop connecting via Mobile Hotspot may experience Audio/Video loss due to Fluctuation in their respective network. It is therefore recommended to use Stable Wi-Fi or LAN Connection to mitigate any kind of aforesaid glitches.
 - (v) Shareholders who would like to express their views/ask questions during the meeting may register themselves as a speaker by sending their request in advance atleast 7 days prior to meeting mentioning their name, demat account number/folio number, email id, mobile number, brief query at cs@hpthreads.com. The shareholders who do not wish to speak during the AGM but have queries may send their queries in advance 7 days prior to meeting mentioning their name, demat account number/folio number, email id, mobile number at cs@hpthreads.com. These queries will be replied to by the company suitably by email.
 - (vi) Those shareholders who have registered themselves as a speaker will only be allowed to express their views/ask questions during the meeting. The Company reserves the right to restrict the number of questions and number of speakers, depending upon availability of time as appropriate for smooth conduct of the AGM.
 - (vii) If you have any queries or issues regarding attending AGM & e-Voting from the e-Voting System, you may refer the Frequently Asked Questions (“FAQs”) and e-voting manual available at www.evotingindia.com, under help section or write an email to helpdesk.evoting@cdslindia.com or contact Mr. Nitin Kunder (022-23058738) or Mr. Mehboob Lakhani (022-23058543) or Mr. Rakesh Dalvi (022-23058542).
 - (viii) All grievances connected with the facility for voting by electronic means may be addressed to Mr. Rakesh Dalvi, Manager, (CDSL,) Central Depository Services (India) Limited, A Wing, 25th Floor, Marathon Futurex, Mafatal Mill Compounds, N M Joshi Marg, Lower Parel (East), Mumbai - 400013 or send an email to helpdesk.evoting@cdslindia.com or call on 022-23058542/43.
18. The Board of Directors of the Company has appointed Mr. Mukesh Siroya (Membership No. F5682; CoP No. 4157) Proprietor of M/s. M Siroya and Company, Practicing Company Secretaries or failing him Ms. Bhavyata Acharya (Membership No. A25734; CoP No. 21758), Practicing Company Secretary, as Scrutiniser to scrutinise the remote e-voting process and voting during the AGM in a fair and transparent manner and they have communicated their willingness to be appointed and will be available for the said purpose.
19. The voting results declared along with the report of the scrutinizer shall be placed on the Company’s website and communicated to the Stock exchange immediately after the declaration of result by the Chairman or a person authorised by him in writing.
20. As per the provisions of Section 72 of the Act, the facility for making nomination is available for the members in respect of the shares held by them. Member(s) holding shares in physical form may file nomination in the prescribed Form SH-13 with the Company’s Registrar and Transfer Agent, Alankit Assignments Ltd. (RTA). In respect of shares held in dematerialized form, the nomination form may be filed with the respective Depository Participant.
21. The Register of Directors and Key Managerial Personnel and their shareholding, maintained under Section 170 of the Companies Act, 2013 and the Register of Contracts and arrangements in which directors are interested maintained under Section 189 of the Companies Act, 2013 and the relevant documents referred to in the Notice, will be available electronically for inspection by the members during the AGM. All documents referred to in the Notice will also be available electronically for inspection without any fee by the members from the date of circulation of this Notice up to the date of AGM. Members seeking to inspect such documents can send an email to cs@hpthreads.com.

22. Members desirous of seeking any information in respect of the financial statements may write to the Company through email on cs@hpthreads.com, at least 7 days advance of the Meeting so that, if the Chairman so permits, the same will be replied by the Company suitably.
23. Member(s) may also note that the Notice of the Meeting and the Annual Report for FY 2019-20 will also be available on the Company's website www.hpthreads.com.
24. The Register of Members and the Share Transfer Books of the Company shall remain closed from closed from **September 23, 2020 to September 29, 2020** (both days inclusive).
25. Members, who have not encashed their dividend warrant or any dividend amount for the financial year 2012-13 and/or the dividend warrants issued for any subsequent financial years so far, are requested to make their claim, to the Company / RTA of the Company or send an email to cs@hpthreads.com or info@alankit.com, within the permissible time period.

The Company has uploaded the details of unpaid and unclaimed dividends lying with the Company as on March 31, 2019 on the website of the Company and the same can be accessed through the link: <http://www.hpthreads.com/corporate-information.php>. The said details have also been uploaded on the website of the IEPF Authority and the same can be accessed through the link: www.iepf.gov.in.

Due dates for transfer of unclaimed/unpaid dividends for the financial year 2012-13 and thereafter to IEPF:

| FY ended | Declaration Date | Due Date |
|-----------------|-------------------------|------------------|
| March 31, 2013 | September 07, 2013 | October 6, 2020 |
| March 31, 2014 | September 26, 2014 | October 25, 2021 |
| March 31, 2015 | September 24, 2015 | October 23, 2022 |
| March 31, 2016 | September 23, 2016 | October 22, 2023 |
| March 31, 2018 | September 22, 2018 | October 21, 2025 |

26. The Investor Education and Protection Fund Authority (Accounting, Audit, Transfer and Refund) Rules, 2016 including any statutory modification(s) or re-enactment(s) thereof (the 'IEPF Rules'), amongst other matters, provide for transfer of the shares, in respect of which dividend has not been paid or claimed for seven or more consecutive years, to IEPF Authority and the shares shall be credited to the Demat Account of IEPF Authority, within 30 days of such shares becoming due to be transferred to the IEPF.

Pursuant to the IEPF Rules, the unclaimed dividend for the financial year 2012-13 will become due for transfer to the IEPF Authority on October 06, 2020 (i.e. Due date) and accordingly, both the unclaimed dividend and corresponding shares will be transferred to the IEPF Authority within 30 days from the Due date.

Further, in compliance of the IEPF Rules, the Company has communicated individually to the concerned Members and also through newspaper advertisement on July 04, 2020 in respect to transfer of shares against which the dividend has not been paid/claimed by such Member for 7 consecutive years (FY 2012-13 to 2018-19). The Company has uploaded the details of such Members and shares due to be transferred to IEPF Authority on its website i.e. www.hpthreads.com. The Members may kindly note that both the unclaimed dividend and corresponding shares transferred to IEPF Authority including all benefits accruing on such shares, if any, can be claimed back by them from IEPF Authority after following the procedure prescribed by the IEPF Rules.

The Members are requested to claim their unclaimed/unpaid dividend well within the permissible time period.

27. As per Regulation 40 of the Listing Regulations and notification issued by SEBI in this regard, the securities of listed companies can be transferred only in dematerialised form with effect from April 1, 2019, except in case of transmission or transposition of securities. In view of the above and to avail various benefits of dematerialisation, members are advised to dematerialise shares held by them in physical form. In case any clarification is needed in

that regard, Members can contact the Company's RTA.

28. Members holding shares in dematerialised mode are requested to intimate all changes pertaining to their bank details/NECS/mandates, nominations, power of attorney, change of address/name, e-mail address, Permanent Account Number ('PAN') details, etc. to their Depository Participant only and not to the Company's RTA. Changes intimated to the Depository Participant will then be automatically reflected in the Company's records which will help the Company and its RTA to provide efficient and better service to the members.

In case of members holding shares in physical form, such information is required to be provided to the Company's RTA.

29. Non-Resident Indian Members are requested to inform the Company's Registrar & Transfer Agent (RTA) immediately:
- a) The particulars of the Bank Account maintained in India with complete name, branch, account type, account number and address of the Bank, if not furnished earlier.
 - b) Any change in their residential status on return to India for permanent settlement.
30. The Securities and Exchange Board of India ('SEBI') has mandated the submission of Permanent Account Number ('PAN') by every participant in securities market. Members holding shares in electronic mode are, therefore, requested to submit their PAN to their Depository Participant with whom they are maintaining their demat accounts. Members holding shares in physical mode can submit their PAN to the Company/RTA.
31. In all correspondence with the Company and/or the RTA, members are requested to quote their folio number and in case their shares are held in the dematerialised form, they must quote their DP ID and Client ID number for easy reference and speedy disposal thereof.
32. Members who are holding shares in physical form or who have not registered their email address with the Company / Depository or any person who acquires shares of the Company and becomes a Member of the Company after the Notice has been sent electronically by the Company, and holds shares as on the cut-off date, i.e. September 22, 2020, he/she may write to the Company on the E-mail ID: cs@hpthreads.com or CDSL on the E-mail ID: helpdesk.evoting@cdslindia.com. However, if a member is already registered with CDSL for e-voting then existing User ID and password can be used for casting vote.

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

ITEM NO. 3:

The shareholders of the Company at their Annual General Meeting held on September 24, 2015 appointed Mrs. Ritu Bansal (DIN: 03619069) as an Independent Director of the Company to hold office for five consecutive years for a term upto September 23, 2020.

The Company has two executive directors and three independent directors; however, it doesn't have any non-executive director on the Board. As per applicable provisions of the Companies Act, 2013, the Company requires only two independent directors.

In order to have optimum composition of the Board, the Management had requested Mrs. Ritu Bansal to change her capacity and designation from Independent Director to Non - Executive Director of the Company. Since, this change will require approval of Shareholders of the Company, the Board had appointed her as an Additional Director (Non-Executive) with effect from September 2, 2020 upto the date of ensuing Annual General Meeting in terms of Section 161 of the Companies Act, 2013 ("the Act") and the Company has received a notice in writing under Section 160 of the Act from Mrs. Bansal proposing her candidature for the office of Director of the Company.

In this regard, the Company has received a consent letter from Mrs. Ritu Bansal to change her designation from Independent Director to Additional Director (Non-Executive) w.e.f. September 02, 2020. Consequently, her office as an Independent Director shall be ceased and changed to Additional Director w.e.f. September 02, 2020.

The Company shall continue to be in due compliance with the applicable provisions of the Companies Act, 2013 and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, after the change in the designation of Mrs. Ritu Bansal from an Independent Director to an Additional (Non-Executive) Director.

Accordingly, it is proposed to appoint Mrs. Ritu Bansal as a Director of the Company, liable to retire by rotation, on the Board of the Company.

Mrs. Ritu Bansal is not disqualified from being appointed as a director in terms of Section 164 of the Act, and has given her consent to act as a director.

Details of Mrs. Ritu Bansal are provided in the "Annexure-A" to the Notice, pursuant to the provisions of (i) Listing Regulations and (ii) Secretarial Standard on General Meetings ("SS-2"), issued by the Institute of Company Secretaries of India.

She shall be paid remuneration by way of fee for attending meetings of the Board or Committees thereof or for any other purpose as may be decided by the Board, reimbursement of expenses for participating in the Board and other meetings within the limits stipulated under Section 197 of the Act.

The Nomination and Remuneration Committee and the Board of Directors of the Company at their respective meetings held on September 01, 2020, have approved her appointment as a Director in the interest of the Company and has recommended passing of Resolution at Item No. 3 as an Ordinary Resolution.

It is proposed to authorize the Board of Directors (the "Board" which term shall be deemed to include the Nomination and Remuneration Committee of the Board), to alter and vary the terms and conditions of her appointment and /or remuneration or any part thereof, from time to time in accordance with the applicable provisions of the Companies Act, 2013, rules framed thereunder and SEBI LODR Regulations.

Copy of draft letter of appointment of Mrs. Ritu Bansal setting out the terms and conditions of her appointment is available for inspection by the members of the Company.

Mrs. Ritu Bansal is interested in the resolution set out at Item No. 3 of the Notice with regard to her appointment. Relatives of Mrs. Ritu Bansal may be deemed to be interested in the resolution to the extent of their shareholding interest, if any, in the Company.

H. P. Cotton Textile Mills Limited



Save and except the above, none of the other Directors / Key Managerial Personnel of the Company / their relatives are, in any way, concerned or interested, financially or otherwise, in the resolution.

The Board commends the Ordinary Resolution set out at Item No. 3 of the Notice for approval by the members.

By Order of the Board of Directors

Place: **New Delhi**
Date: **September 01, 2020**

-Sd-
Shubham Jain
Membership Number: A49541
Company Secretary

ANNEXURE “A”**Details of the Directors retiring by rotation/ appointment / re-appointment at the Annual General Meeting**

[Pursuant to Regulations 36(3) of the SEBI (Listing Obligations and Disclosure Requirements)

Regulations, 2015 and Secretarial Standard on General Meetings]

| Name | Mr. RaghavKumar Agarwal | Mrs. Ritu Bansal |
|---|--|---|
| Directors Identification Number (DIN) | 02836610 | 03619069 |
| Date of Birth | 05-10-1986 | 09-05-1975 |
| Age | 33 years | 45 years |
| Nationality | Indian | Indian |
| Qualification | Bsc. in Management Science from Warwick Business School, University of Warwick, U K., | B.Com (Hons.) from Delhi University, Fellow Member of Institute of Chartered Accountants of India and Member of Institute of Company Secretaries of India. |
| Brief Profile | He holds a Bachelor Degree in Management Sciences, from Warwick Business School, University of Warwick, England, UK. He completed his industrial training in textiles from Manchester and he is the current CEO and Executive Director of the company. | She holds a Bachelor Degree in Commerce (Hons.) from Delhi University and also a fellow member of The Institute of Chartered Accountants of India (ICAI) with more than 20 years of experience in taxation and auditing. She also holds Certificate in Forensic Accounting & Fraud Detection (FAFD) and Diploma in Information System Audit (DISA) issued by ICAI. She is also a member of The Institute of Company Secretaries of India. |
| Terms and conditions of appointment and re-appointment | Liable to Retire by Rotation | Liable to Retire by Rotation |
| Expertise in Specific Area | Continuing as the CEO & CFO of the company since the last 4 years, having more than 14 years of experience in Textile Industry | She has more than 20 years' experience in taxation and auditing. |
| Date of first appointment on the Board of the Company | 30.05.2019 | 29.05.2015 |
| Directorship in other limited companies (excluding HP Cotton Textile Mills Limited) | <ol style="list-style-type: none"> 1. Achhar Investments Limited 2. Sailesh Textile Mfg Co Ltd 3. Jainish Products Limited 4. Sacred Trading and Investment Company Limited | Nil |
| Relationship with other Directors and Key Managerial Personnel | Son of Mr. Kailash Kumar Agarwal | Nil |
| Membership/Chairmanship of committee of Directors of other companies | Nil | Nil |

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| | | |
|--|---|--|
| No. of Share held as on 31-03-2020 | 10,054 | Nil |
| Number of Meetings of the Board attended during the financial year 2019-20 | 5(Five) | 5(Five) |
| Remuneration last drawn (FY 2019-20) (including sitting fees, if any) | 17.81 Lacs | 0.90 Lacs |
| Details of remuneration sought to be paid | As per existing approved terms and conditions | As per the resolution at Item No. 3 of the Notice convening this Meeting read with explanatory statement thereto |

By Order of the Board of Directors

Place: **New Delhi**
Date: **September 01, 2020**

-Sd-
Shubham Jain
Membership Number: A49541
Company Secretary

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

COMPANY SYNOPSIS

HP Cotton Textile Mills Limited ('HP Cotton') is established in 1981, as a part of Dora Group, a leading textile group of India, specializes in manufacturing cotton yarns and threads. HP Threads is a popular brand of products from HP Cotton, one of largest exporters of cotton specialty yarns and cotton sewing threads from India. HP Cotton has a strong market reputation for its high-quality products, and this is evident from the fact that they are exported to over 40 countries worldwide.

ECONOMY REVIEW

Global Economy

The global economy is in a synchronized slowdown, with growth for 2019 downgraded again to 3 percent its slowest pace since the global financial crisis. This is a serious climbdown from 3.8 percent in 2017, when the world was in a synchronized upswing. This subdued growth is a consequence of rising trade barriers; elevated uncertainty surrounding trade and geopolitics; idiosyncratic factors causing macroeconomic strain in several emerging market economies; and structural factors, such as low productivity growth and aging demographics in advanced economies.

(Source: IMF, World economic outlook October 2019)

The beginning of year 2020, brings a severe health crisis all around the world in the form of COVID-19 pandemic which will results in sharp decline in world growth rate and put a huge dent on the global economy.

Global growth is projected at -4.9 percent in 2020. Consumption growth, in particular, has been downgraded for most economies, reflecting the larger-than anticipated disruption to domestic activity. The projections of weaker private consumption reflect a combination of a large adverse aggregate demand shock from social distancing and lockdowns, as well as a rise in precautionary savings. Global activity is expected to trough in the second quarter of 2020, recovering thereafter. In 2021 growth is projected to strengthen to 5.4 percent. Consumption is projected to strengthen gradually next year, and investment is also expected to firm up, but to remain subdued.

(Source: IMF, World economic outlook June 2020)

Indian Economy

The Indian economy grew by 4.2% in FY 2019-20 still remaining one of the fastest growing major economies in the world. Industrial activity remained healthy in the beginning of the year, but saw some weakness later. With continued policy initiatives, India further continued its climb in the Ease of Doing Business rankings, climbing up 14 places to reach the 63rd rank. India is the only major country to have moved up by 67 places in just 4 years. FY 2019-20 also saw corporate tax cut being announced, further easing business environment. Government also announced significant rebates for new manufacturing units to attract global supply chains. Outbreak of COVID-19 would make growth environment challenging in first half of FY 2020-21 but liquidity measures announced by the government should help provide support.

Although, COVID Pandemic is one of the most challenging time in the history of human mankind atleast in the last 100 years, and even posing a huge threat to the Indian Economy at the same time it has seen that any disruption is a Catalyst to growth and innovation forcing the economies worldwide to focus on technology, efficiency etc.

HP Cotton's Response to COVID-19

World Health Organisation (WHO) declared outbreak of Coronavirus Disease (COVID-19) a global pandemic on March 11, 2020. Consequent to this, Government of India declared lockdown on March 23, 2020 and the Company temporarily suspended the operations in the unit at Hisar and all the offices of the Company located at different places in India, as per the directions/guidelines issued by the Central/State Governments. Due to this it has affected the business operations of the Company by way of interruption in production, supply chain disruption, unavailability of personnel, closure of production facilities etc. during the lockdown period.

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HP Cotton extended its support and cooperation towards all Government Initiatives/ Directions for combating the escalating COVID-19 situation. Keeping in mind the safety and well-being of its employees as top priority, Company has rolled out a slew of measures including inter-alia Work from Home policy for its employees to ensure the safety and wellbeing of its employees and taking all necessary measures against the spread of the COVID-19 as advised by the Governments.

However, after obtaining permissions/approvals from the appropriate government authorities production and supply of goods has commenced w.e.f. April 25, 2020 at manufacturing unit of the Company located at Hisar.

INDUSTRY REVIEW

Global Textile Industry

The global textile market size was valued at \$961.5 billion in 2019 and is estimated to exhibit a CAGR of 4.3% from 2020 to 2027 owing to the increased demand for apparels, especially in developing countries such as China, India, Mexico, and Bangladesh, according to Grand View Research. Furthermore, increasing disposable income and rapid urbanization has led to a rise in the number of supermarkets and retail stores, thereby driving the overall market growth.

There has been increasing awareness about personal protective equipment (PPE) in the manufacturing industry on account of stringent regulations for worker safety. This is expected to lead to an increased demand for engineered fiber products such as nylon. Furthermore, technological innovations in terms of the development of new upholstery products derived from coated fabrics and spider silk are expected to open new industry avenues over the forecast period.

In terms of volume, cotton is anticipated to be the largest raw material segment, accounted for a market share of 39.5% in 2019. The growth of the segment is attributed to the properties of cotton including high absorbency and strength, and color retention. China, India, and the U.S. are the major cotton producers in the world.

World Cotton Scenario

Global 2019-20 cotton production is expected 2.3 percent higher from the previous year to 26 million tons, as increases in the United States and India more than offset lower output in Australia and Pakistan. The United States saw a 9.4-percent increase with the largest area harvested in thirteen years, and higher production in the Delta and Southeast regions. India was the world's largest producer as record area harvested helped drive production to its highest in five years at 6.3 million tons. In contrast, Australia witnessed the most significant downward shock in 2019-20, as severe drought drove production to its lowest in twelve years.

(Source: USDA)

Indian Textile Industry

India is among the world's largest producers of Textiles and Apparel. The domestic textiles and apparel industry contribute 2.3% to India's GDP and accounts for 13% of industrial production, and 12% of the country's export earnings.

The textiles and apparel industry in India is the second-largest employer in the country providing employment to 45 million people. India has also become the second-largest manufacturer of PPE in the world. More than 600 companies in India are certified to produce PPEs today, whose global market worth is expected to be over \$92.5 bn by 2025, up from \$52.7 bn in 2019.

Growth Drivers

- Competitive manufacturing costs
- Availability of skilled manpower
- Large and growing domestic market
- Under Union Budget 2020-21, a National Technical Textiles Mission is proposed for a period from 2020-21 to 2023-24 at an estimated outlay of Rs. 1,480 crore (US\$ 211.76 million).

(Source: Invest India, National investment Promotion & Facilitation Agency)

Indian Cotton Scenario

India's 2019-20 production is estimated at 6.32 million tons, up more than 14 percent from the preceding year on higher area and yields. As a result, India surpassed China as the world's largest producer. Harvested area is estimated at 13.0 million hectares, up 3.2 percent despite some reports of pink bollworm infestations and late-season monsoon rainfall. India's 2019-20 yield is estimated at 494 kg/hectare, also above the previous season.

(Source: USDA)

BUSINESS REVIEW

HP Cotton operates in only one segment i.e. manufacturing of Threads. Company deals in production of two types of threads i.e. sewing threads and Hosiery Yarn.

As compare to previous year, the production of Hosiery Yarn and that of Sewing Threads have been decreased. Total production during the financial year 2019-20 is down by 17.17% over the last year's production.

PRODUCT WISE PERFORMANCE

Hosiery Yarn

During the FY 2019-20, the production of Hosiery yarn was decreased by 24.72% over previous year taking to 3,62,590 Kg as compared to the previous year level of 4,81,713 Kg.

Sale of Hosiery yarn during the FY 2019-20 was declined by 27.19% over previous year taking to ₹637.21 lakhs as compared to the previous level of ₹875.25 lakhs.

| Financial Year | Production | Sales |
|----------------|------------|-------------|
| | (in Kg) | (₹in Lakhs) |
| 2019-20 | 3,62,590 | 637.21 |
| 2018-19 | 4,81,713 | 875.25 |
| 2017-18 | 6,93,200 | 1,188.00 |

Sewing Threads

During the FY 2019-20, the production of Sewing Threads was decreased by 14.19% over previous year taking to 10,46,554 Kg as compared to the previous year level of 12,19,618 Kg.

Sale of Sewing Threads during the FY 2019-20 was declined by 7.37% over previous year taking to ₹7089.94 lakhs as compared to the previous level of ₹7654.47 lakhs.

| Financial Year | Production | Sales |
|----------------|------------|--------------|
| | (in Kg) | (₹ in Lakhs) |
| 2019-20 | 10,46,554 | 7,089.94 |
| 2018-19 | 12,19,618 | 7,654.47 |
| 2017-18 | 14,86,290 | 10,258.00 |

DIGITIZATION

Company has moved one more step forward towards the journey of Digitization by successfully implementation of ERP Software. It helps in integration of various functions of Business enabling seamless flow of information from one function to another. Thereby, enabling better internal Control, high Data Accuracy, less duplication of entries which results in elimination of chances of error and helps in better data analytics for timely decision making.

RISKS AND CONCERNS

HP Cotton's risk management activities seek to identify and appropriately address any significant threat to the achievement of the Company's objectives. Risk Management is a key focus area for HP Cotton and continuous efforts are made to identify

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and mitigate risks in line with organizational targets.

HP Cotton has laid down a well-defined framework for Risk Management as guided by our Risk Management Policy to identify risk in business operations of the Company and provides guidelines to define, measure, control and mitigate the identified risks.

Company is prone to inherent business risks, environmental risk, political risk and economical risks like any other organization. Therefore, we had listed out some of our risks and concerns as follows:

- The COVID-19 pandemic will hamper the global growth and create global recession all around the world. Since, company's major portion of revenue comes from the export of goods, there will be a high risk of sharp decline in demand of textile products.
- Some of the new challenges after the COVID-19 pandemic are safety, lack of supply and demand in addition to liquidity crunch.
- The economic environment and pricing pressures could negatively impact our revenues and operating results.
- Since the Company derives significant portion of revenues from overseas, any appreciation in rupee poses a threat to earnings estimates. Currency fluctuations and declining interest rates may favourably affect the result of our operation.
- In the Digital world, Cyber Risks are big concerns to deal for every organization. HP Cotton has taken some steps to protect and safeguard Company's information by implementation of various cyber security check points in all the systems across all the offices of the Company.

HUMAN RESOURCES

HP Cotton always considers its people as its biggest strength and assets and has consistently invested in creating a work environment that empowers people to explore their potentials and raise the bar constantly. The key elements that define our culture include recruitment, training and development, and compensation. Company takes adequate steps for maintaining safety and healthy environment for the workers.

Retaining Talent

Our culture and reputation in the Textile Industry enable us to recruit and retain some of the best available talent in India. One of the biggest critical aspects of retaining talent, whether at the corporate and regional offices, is to help them understand the career paths they can progress on. At HP Cotton, it has been an endeavour to help people build long-term careers. The number of permanent employees on the rolls of the Company as on March 31, 2020 was 1,224.

We are committed to remaining among the industries leading's Employers. Our Industrial relations continued to be cordial and satisfactory. Company has enjoyed cordial relationship with workers and employees at all levels.

FINANCIAL REVIEW

HP Cotton reported a healthy financial performance in FY 2020. Company has shown an impressive growth, both in terms of profitability and Return on Net Worth.

The total income for FY 2020 has come down by 10.55 % as compared to corresponding previous year. The total expenditure, including depreciation for FY 2020, decreased by 12.74 %. Operating Margin stood at 4.63% for FY 2020 as against to 3.05% of corresponding previous year. The Profit After Tax margin for FY 2020 improved by 365.06% to 0.84% as against -0.32% in the previous year.

Key Financial Parameters and Ratios

| S.No | Key Ratios | Units | FY 2020 | FY 2019 | YOY percent |
|------|--------------------------|-------|---------|---------|-------------|
| 1. | Debtors Turnover Ratio | Times | 11.50 | 10.32 | 11.44 % |
| 2. | Inventory Turnover Ratio | Times | 3.32 | 3.82 | (13.11 %) |
| 3. | Current Ratio | Times | 0.96 | 0.91 | 5.77 % |
| 4. | Interest Coverage Ratio | Times | 1.24 | 1.01 | 22.39 % |
| 5. | Debt-Equity Ratio | Times | 0.04 | 0.45 | (91.87) % |
| 6. | Operating Profit Margin | % | 4.63 | 3.05 | 51.76 % |
| 7. | Net Profit Margin | % | 0.84 | -0.32 | 365.06 % |
| 8. | Return on Net Worth | % | 3.36 | -1.46 | 102.30 % |

Explanation of Ratios:

1. Debtors Turnover

Debtors Turnover Ratio is calculated to quantify a company's effectiveness in collecting its receivables from its customers. It is calculated by dividing turnover by average trade receivables.

2. Inventory Turnover

Inventory Turnover Ratio quantifies the number of times a company sells and replaces its inventory during the financial year. It is calculated by dividing the Cost of Goods Sold (COGS) by average inventory.

3. Current Ratio

Current Ratio is a liquidity ratio that measures a company's ability to pay its short-term obligations. It is calculated by dividing the current assets by the current liabilities.

4. Interest Coverage

Interest Coverage Ratio is used to determine a company's ability to pay their interest expenses on outstanding debt. It is calculated by dividing a company's earnings before interest and taxes (EBIT) by the company's interest expenses for the same period.

5. Debt-Equity

Debt-Equity Ratio is used to measure the degree to which a company is financing its operations through debt versus wholly-owned funds. It is calculated by dividing a company's total liabilities by its shareholder equity.

6. Operating Profit Margin

Operating Profit Margin is a profitability ratio used to calculate the percentage of profit a company earns from its operations. It is calculated by dividing the Earnings Before Interest and Tax (EBIT) by turnover.

7. Net Profit Margin

The Net Profit Margin is equal to how much net income or profit is generated as a percentage of revenue from operations. It is calculated by dividing the profit for the year by revenue from operations.

8. Return on Net Worth

Return on Net Worth is a measure of profitability of a company expressed in percentage. It is calculated by dividing profit for the year by average net worth during the year.

INTERNAL CONTROLS AND THEIR ADEQUACY

The Company has adequate Internal Control systems in all areas of operations commensurate with the size of the operation. Your Company has an adequate and effective internal control system to ensure that assets and interests of the Company are safeguarded and reliability of accounting data and accuracy are ensured with proper checks and balances. The scope and authority of internal audit function is defined in the internal audit manual.

The internal controls have been developed and implemented at each business process level across the Company. Checks & balances and control systems have been established to ensure that assets are safeguarded, utilized with proper authorization and recorded in the books of account. There is a proper definition of roles and responsibilities across the organization to ensure information flow and monitoring. Internal audits are conducted periodically by independent Chartered Accountant. The Audit Committee comprising of independent directors actively reviews the adequacy and effectiveness of internal controls, internal audit systems and advises improvements as may be required. Post audit follow-ups are carried out to ensure identified risks are addressed and recommendations of the Audit Committee are implemented. The Company has established and maintained adequate and effective internal Financial controls over Financial reporting in accordance with the framework, which includes policies and procedures adopted by the Company for ensuring the orderly and efficient conduct of its business, including adherence to the Company's policies, safeguarding of its assets, the prevention and detection of fraud and errors, the accuracy and completeness of the accounting records, and timely preparation of reliable Financial information.

The Internal Control system is improved and modified continuously to meet the changes in business Conditions, statutory and accounting requirements. The Audit Committee of the Board of Directors, Statutory Auditors and the business heads are periodically appraised of the internal audit findings and the corrective actions taken. The Audit Committee of the Board of Directors actively reviews the adequacy and effectiveness of internal controls systems and suggests improvements for strengthening them.

OUTLOOK

We believe our strength give us the competitive advantage to position ourselves as the global Textile Industry. We have long standing relationship with our clients and our track records in delivering high quality product across the entire Textile industry help us to solidify these relationships and gain increased business from existing clients. The customer base of the Company spread across many countries and regions which reduces dependability on specific country and regions.

CAUTIONARY STATEMENT

Statements in the Management Discussion & Analysis Report describing the projections, estimates, expectations 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 could make a difference to the Company's operations includes, among others, economic conditions affecting demand/supply and price conditions in the domestic and overseas markets in which the Company operates, changes in the Government regulations, tax laws and other statutes and incidental factors.

BOARD'S REPORT

Dear Members,

Your Directors are pleased to present the Thirty Ninth (39th) Annual Report together with the Company's audited financial statements and the auditors' report thereon for the financial year ended March 31, 2020.

FINANCIAL HIGHLIGHTS

A summary of the Company's financial performance in FY ended March 31, 2020 is as follows:

(₹ in lakhs)

| Particulars | March 31, 2020 | March 31, 2019 |
|--|-----------------|-----------------|
| Revenue from operations (net) | 8,175.13 | 9,140.85 |
| Add: Other Income | 187.96 | 209.34 |
| Total Income | 8,363.09 | 9,350.19 |
| Profit/(Loss) before Depreciation & Amortisation, Exceptional items & Tax Expense | 632.08 | 490.66 |
| Less: Finance Cost | 333.61 | 303.42 |
| Less: Depreciation and Amortisation Expense | 260.31 | 185.47 |
| Profit before exceptional items & tax Expense | 38.16 | 1.77 |
| Less: Exceptional items | - | - |
| Profit/(Loss) before Tax Expense | 38.16 | 1.77 |
| Less: Taxation Expense | 4.23 | 29.77 |
| Profit/(Loss) for the year | 33.93 | (28.00) |
| Other Comprehensive Income/(Loss) | 30.35 | 1.23 |
| Total Comprehensive Income/(Loss) for the year | 64.28 | (26.77) |
| Earnings per Share (₹) | | |
| - Basic | 0.90 | (0.73) |
| - Diluted | 0.90 | (0.73) |

RESULTS OF OPERATIONS AND STATE OF COMPANY AFFAIR'S**Production and Sales Review:**

The production was decreased by 17.17% over previous year taking to 14,09,144 kg as compared to the previous year level of 17,01,331 kg.

During the year, your Company has achieved a turnover of ₹8175.12 Lakhs as against ₹ 9140.85 Lakhs during the corresponding previous financial year. The exports of the Company are slightly declined by 8.31 % over previous year taking total exports to ₹ 6131.18 Lakhs from ₹6687.10 Lakhs due to temporarily suspension of operations in the month of March due to restrictions imposed by the Government Authorities in view of the COVID-19 Pandemic which results in the loss of production.

Profitability:

The Company earned a profit before interest, depreciation and tax for the year under review was around ₹632.07 Lakhs as compared to ₹490.65 Lakhs in previous year. After providing for depreciation of ₹260.31 Lakhs (Previous Year ₹185.47 Lakhs), finance cost of ₹333.61 Lakhs (Previous Year ₹303.42 Lakhs), tax expense of ₹4.23 Lakhs (Previous Year ₹29.77 Lakhs), the net profit from operations after comprehensive income worked out to ₹64.27 Lakhs as compared to loss of ₹26.77 Lakhs in the previous year.

Resource Utilisation:

1. **Fixed Assets:**

The Net Block as at March 31, 2020 was ₹2,001 Lakhs as compared to ₹2,150 Lakhs in the previous year.

2. **Current Assets:**

The current assets as at March 31, 2020 were ₹ 3,647 Lakhs as against ₹ 4,689 Lakhs in the previous year. Inventory level was decreased by 14.31% over previous year taking to ₹ 2,137 Lakhs as compared to the previous year level of ₹ 2,494 Lakhs.

RESERVES

Total reserves and surplus of the Company has been increased to ₹1,519.13 Lakhs on March 31, 2020 as against ₹ 1,444.70 Lakhs on March 31, 2019.

DIVIDEND

The Board has not recommended any Dividend for the current financial year in view of inadequate profits for the Financial Year ended on March 31, 2020.

SHARE CAPITAL

The Authorised Share Capital of the Company as on March 31, 2020, remains unchanged at ₹4,25,00,000 divided into 42,50,000 Equity Shares of ₹10 each and Paid up Share Capital of ₹3,81,00,000 divided into 38,10,000 Equity Shares of ₹10 each.

MANAGEMENT DISCUSSION & ANALYSIS REPORT

The Management Discussion and Analysis Report for the year under review, in terms of Regulation 34 of the Listing Regulations is presented in a separate Section, forming integral part of the Annual Report.

DIRECTORS AND KEY MANAGERIAL PERSONNEL

Directors

During the year under review, on the recommendation of Nomination and Remuneration Committee, the Board of Directors at its meeting held on May 30, 2019, appointed Mr. Raghavkumar Agarwal (DIN 02836610) as an additional Director & Whole Time Director (Executive Director), Mr. Surendra Kumar Agarwal (DIN 01309527) and Mr. Ravindra Agarwal (DIN 01309558) as Additional Directors w.e.f. May 30, 2019. Pursuant to Section 161 Mr. Raghavkumar Agarwal, Mr. Surendra Kumar Agarwal and Ravindra Agarwal held office up to the date of 38th AGM duly held on November 08, 2019.

Thereafter, members of the Company had duly approved the appointment of Mr. RaghavKumar Agarwal as a Whole-Time Director in the 38th AGM. However, the resolutions for the appointment of Mr. Surendra Kumar Agarwal and Mr. Ravindra Agarwal as Directors of the Company have not been passed by the members by requisite majority in the 38th AGM. Therefore, Mr. Surendra Kumar Agarwal and Mr. Ravindra Agarwal ceased from the post of Directorship of the Company w.e.f. November 8, 2019. Further, the members have re-appointed Mr. Parshotam Dass Agarwal (DIN: 00063017) and Mr. Mohan Lal Jain (DIN: 00063240) for a further period of 5(five) years w.e.f. September 26, 2019 in the 38th AGM held during the FY 2019-20

Mr. Bibhuti Charan Talukdar, Independent Director ceased to be a Director of the Company due to his sudden and sad Demise on September, 15, 2019.

On the recommendation of Nomination and Remuneration Committee and with her due consent, the Board of Directors at its meeting held on September 01, 2020, changed the designation of Mrs. Ritu Bansal (DIN: 03619069) from Independent Director to Additional Director (Non-Executive) w.e.f. September 02, 2020. Pursuant to Section 161 Mrs. Ritu Bansal hold office as an additional director upto the date of forthcoming Annual General Meeting. Further, in terms of Section 152 of the Act, read with the Companies (Appointment and Qualification of Directors) Rules, 2014, the Board has, on the recommendation of the Nomination and Remuneration Committee, proposed to the Shareholders for the appointment of

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Mrs. Ritu Bansal as a Director of the Company, liable to retire by rotation.

A brief profile, expertise of Director and other details as required under the Act, Secretarial Standard-2 and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ('Listing Regulations') relating to the director proposed to be appointed is annexed to the notice convening the AGM.

During the year under consideration, the shareholders of the Company through postal ballot through remote e-Voting on August 30, 2020 approved the waiver of excess remuneration paid to the following Directors/erstwhile Directors pursuant to Section 197(10) of the Companies Act, 2013:

- (i). Waiver of recovery of excess managerial remuneration paid to Mr. Kailash Kumar Agarwal, Managing Director for the financial year ended March 31, 2019;
- (ii). Waiver of recovery of excess managerial remuneration paid to Mr. Raj Kumar Agarwal, erstwhile Whole Time Director for the financial year ended March 31, 2019;
- (iii). Waiver of recovery of excess managerial remuneration paid to Mr. Ashok Kumar Agarwal, erstwhile Joint Managing Director for the financial year ended March 31, 2019;
- (iv). Waiver of recovery of excess managerial remuneration paid to Mr. Kailash Kumar Agarwal, Managing Director for the financial year ended March 31, 2020;
- (v). Waiver of recovery of excess managerial remuneration paid to Mr. RaghavKumar Agarwal, Whole-Time Director designated as Executive Director, CEO & CFO for the financial year ended March 31, 2020;
- (vi). Re-Appointment of Mr. Kailash Kumar Agarwal as Managing Director designated as Chairman and Managing Director of the Company & Revision in terms of his Remuneration; and
- (vii). Approval of revision in Remuneration of Mr. Raghavkumar Agarwal, Whole-Time Director designated as Executive Director, CEO & CFO.

Key Managerial Personnel (KMP)

In compliance with provisions of Section 203 of the Companies Act, 2013, following are the KMPs of the Company as on March 31, 2020:

| S. No. | Name | Designation |
|--------|-----------------------|--|
| 1. | Kailash Kumar Agarwal | Chairman and Managing Director |
| 2. | RaghavKumar Agarwal | Whole-Time Director, Chief Executive Officer & CFO |
| 3. | Shubham Jain | Company Secretary |

Mr. Shashi Ranjan Kumar, Company Secretary and Compliance officer has resigned from the post of Company Secretary of the Company w.e.f. May 28, 2019.

Further Mr. Shubham Jain has been appointed as Company Secretary and Compliance Officer of the Company and designated as Key Managerial Personnel of the Company w.e.f. August 13, 2019, pursuant to section 203 of the Act, and Regulation 6(1) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

Re-Appointment of Managing Director

Since, the term of Mr. Kailash Kumar Agarwal (DIN: 00063470), Managing Director of the Company was due to expire on August 05, 2020, the Board of Directors in its meeting held on July 06, 2020, re-appointed him as a Managing Director of the Company for further period of five (5) years, not liable to retire by rotation, in accordance with Nomination and Remuneration Policy and Article of Association of the Company and based on the recommendations of Nomination & Remuneration Committee, with effect from August 06, 2020, subject to approval of the members. Therefore, the Board recommended his appointment for the consideration of the members of the Company. Thereafter, his appointment was approved by the shareholders of the Company on August 30, 2020 through Postal Ballot Notice dated July 29, 2020.

Retire by Rotation

In accordance with the provisions of Section 152 of the Act and Articles of Association of the Company, Mr. RaghavKumar Agarwal (DIN: (DIN 02836610), Whole-Time Director of the Company, retires by rotation at the conclusion of the forthcoming Annual General Meeting and being eligible, offers himself for reappointment. The Board recommends his appointment for the consideration of the members of the Company at the ensuing Annual General Meeting.

A brief profile, expertise of Director and other details as required under the Act, Secretarial Standard-2 and Listing Regulations relating to the director proposed to be re-appointed is annexed to the notice convening the AGM.

Declaration by Independent directors under section 149(7)

Your Company has received declarations from all the Independent Directors of the Company confirming that they meet with the criteria of independence provided in Section 149(6) of the Act and there has been no change in the circumstances which may affect their status as Independent Director during the year under review.

The terms and conditions of appointment of Independent Directors are as per Schedule IV of the Act.

In terms of Section 150 of the Companies Act, 2013 read with Rule 6 of the Companies (Appointment and Qualification of Directors) Rules, 2014, Independent Directors of the Company have confirmed that they have registered themselves with the databank maintained by the Indian Institute of Corporate Affairs, Manesar ('IICA'). The Independent Directors are also required to undertake online proficiency self-assessment test conducted by the IICA within a period of 1 (one) year from the date of inclusion of their names in the data bank, unless they meet the criteria specified for exemption.

Mr. Parshottam Dass Agarwal and Mr. Mohan Lal Jain, Independent Directors of the Company meets the criteria specified for exemption and hence both the Independent Directors are not required to undergo the online proficiency self assessment test as conducted by IICA. Further, Mrs. Ritu Bansal registered herself with the databank maintained by the IICA on February 28, 2020, accordingly she has to undertake online proficiency self-assessment test on or before February 27, 2021. However with her due consent, the Board of Directors at its meeting held on September 01, 2020, changed her designation from Independent Director to Additional Director (Non-Executive) w.e.f. September 02, 2020. Therefore, requirement to undertake online proficiency self-assessment test conducted by the IICA is no more required for Mrs. Bansal as regards her directorship of the Company.

In the opinion of the Board, the independent directors possess the requisite integrity, experience, expertise and proficiency required under all applicable laws and the policies of the Bank.

BOARD MEETINGS

During the year under review, six (6) Board Meetings were held on May 30, 2019, August 13, 2019, September 29, 2019, October 05, 2019, November 13, 2019 and February 11, 2020. The intervening gap between two Board Meetings was less than the maximum period prescribed under the Act and Listing Regulations.

The details of composition of the Board and the attendance record of the Directors at the Board Meetings and AGM held during the financial year ended on March 31, 2020 is as under:

| Name | Designation | Category | No. of meetings held during tenure | No. of Meetings Attended | Last AGM Attended |
|--------------------------|--------------------------------|------------------------------------|------------------------------------|--------------------------|-------------------|
| Kailash Kumar Agarwal | Chairman and Managing Director | Executive Director | 6 | 6 | Yes |
| Bibhuti Charan Talukdar@ | Director | Non-Executive Independent Director | 2 | 0 | NA |
| Parshotam Dass Agarwal | Director | Non-Executive Independent Director | 6 | 6 | Yes |

| Name | Designation | Category | No. of meetings held during tenure | No. of Meetings Attended | Last AGM Attended |
|-------------------------|--------------------------------|--|------------------------------------|--------------------------|-------------------|
| Mohan Lal Jain | Director | Non-Executive Independent Director | 6 | 5 | No |
| Ritu Bansal | Director | Non-Executive Independent Director | 6 | 5 | Yes |
| RaghavKumar Agarwal# | Whole-Time Director, CEO & CFO | Executive Director | 5 | 5 | Yes |
| Surendra Kumar Agarwal* | Additional Director | Non-Executive Non-Independent Director | 3 | 1 | Yes |
| Ravindrara Agarwaal* | Additional Director | Non-Executive Non-Independent Director | 3 | 2 | Yes |

@ Ceased to be a Director w.e.f September 15, 2019

Appointed as a Whole-Time Director w.e.f May 30, 2019

* Ceased to be a Director w.e.f November 08, 2019

AUDIT COMMITTEE

The Audit Committee ('AC') of the Company had been constituted and functions in accordance with provisions of Section 177 of the Act and Listing Regulations. The Company Secretary is acting as the Secretary to the Audit Committee. All the recommendations made by the Audit Committee were accepted by the Board of Directors of the Company.

Some of the key functions and responsibilities of the AC is enumerated as below:

- Reviewing the procedures of financial reporting
- Reviewing the quarterly, half yearly, annual financial results of the Company,
- Review the adequacy of internal audit function, coverage and frequency of internal audit, appointment, removal, performance and terms of remuneration of the Internal Auditor.
- Discuss with the internal auditor and senior management, significant internal audit findings and follow-up thereon.

During the year under review, four (4) AC Meetings were held on May 30, 2019, August 13, 2019, November 13, 2019 and February 11, 2020.

The details of composition of the Committee and the attendance record of the Directors at the AC Meetings held during the financial year ended on March 31, 2020 is as under:

| Name | Designation in Committee | Category | No. of meetings held during tenure | No. of Meetings Attended |
|--------------------------|--------------------------|------------------------------------|------------------------------------|--------------------------|
| Parshotam Dass Agarwal | Chairman | Non-Executive Independent Director | 4 | 4 |
| Bibhuti Charan Talukdar* | Chairman | Non-Executive Independent Director | 2 | 0 |
| Kailash Kumar Agarwal | Member | Executive Director | 4 | 4 |
| Mohan Lal Jain | Member | Non-Executive Independent Director | 4 | 3 |
| Ritu Bansal | Member | Non-Executive Independent Director | 4 | 4 |

*Ceased to be a Director w.e.f September 15, 2019

NOMINATION AND REMUNERATION COMMITTEE

The Nomination and Remuneration Committee (‘NRC’) of the Company had been constituted and functions in accordance with provisions of Section 178 of the Act and Listing Regulations. The Company Secretary is acting as the Secretary to the Nomination and Remuneration Committee.

Some of the key functions and responsibilities of the NRC is enumerated as below:

- Formulate criteria for determining qualifications, positive attributes and independence of a director and recommend to the Board a Policy relating to the remuneration for the directors, key managerial personnel (KMPs) and other employees;
- Formulation of criteria for evaluation of performance of independent directors and the board of directors;
- Identifying persons who are qualified to become directors and who may be appointed in senior management in accordance with the criteria laid down and recommend to the Board of Directors their appointment and removal.
- Recommending to the Board whether to extend or continue the term of appointment of appointment of the independent director, on the basis of report of performance evaluation of independent directors.

During the year under review, three (3) NRC Meetings were held on May 30, 2019, August 13, 2019 and November 13, 2019.

The details of composition of the Committee and the attendance record of the Directors at the Audit Committee Meetings held during the financial year ended on March 31, 2020 is as under:

| Name | Designation in Committee | Category | No. of meetings held during tenure | No. of Meetings Attended |
|--------------------------|--------------------------|------------------------------------|------------------------------------|--------------------------|
| Parshotam Dass Agarwal | Chairman | Non-Executive Independent Director | 3 | 3 |
| Bibhuti Charan Talukdar* | Chairman | Non-Executive Independent Director | 2 | 0 |
| Kailash Kumar Agarwal | Member | Executive Director | 2 | 1 |
| Mohan Lal Jain | Member | Non-Executive Independent Director | 3 | 2 |
| Ritu Bansal | Member | Non-Executive Independent Director | 3 | 3 |

*Ceased to be a Director w.e.f September 15, 2019

Company’s Policy relating to Directors appointment, payment of remuneration and discharge of their duties

The Nomination & Remuneration Committee of the Company has formulated the Nomination & Remuneration Policy on Director’s appointment and remuneration which includes the criteria for determining qualifications, positive attributes, independence of a director and process of appointment and removal as well as components of remuneration of Director(s), Key Managerial Personnel (‘KMP’) and Senior Management of the Company and other matters as provided under Section 178(3) of the Companies Act, 2013. During the year, there were no changes made in the Nomination & Remuneration Policy of Directors, Key Managerial Personnel (‘KMP’) and Senior Management of the Company. The Policy may be accessed on the Company’s website at the Weblink: <http://hpthreads.com/corporate-information.php>.

PERFORMANCE EVALUATION AND ITS CRITERIA

In terms of the provisions of the Section 178(2) of the Act, the Board has adopted a formal mechanism for evaluating its performance as well as that of its Committees and individual directors, including the Chairman of the Board. A structured questionnaire was prepared and circulated to the Directors for each of the evaluation.

Performance of the Board was evaluated by each Director on the parameters such as Composition of Board, Vision and

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Strategy, Adequate representation of Independent Directors, Board Participation, Treasury Monitoring, Review of Business Risks and Frequency of Board Meetings, Compliances etc.

Board Committees were evaluated on the parameters such as Structure and Composition of Committees, Business Risks, Financial Reporting Process, effectiveness of Committees, effectiveness of communication by the Committee with the Board, Senior Management and Key Managerial Personnel etc.

Performance of the Chairman was evaluated on the parameters such as engagement in meetings, Conducting of Meetings, Leadership Skills, guiding on strategic issues, implementation of Board approved decisions, accessibility and informal contact with Board Members etc.

Directors were also evaluated individually by all other Directors (except the Director himself) on the parameters such as engagement in meetings, Knowledge of business, communication with other Board Members, participation in meetings etc.

Meeting of Independent Directors without the attendance of Non-Independent Directors and members of the management of the Company was held on March 21, 2020. The Independent Directors, inter-alia, evaluated performance of Non-Independent Directors, the Chairman of the Company and the Board as a whole for FY 2020. They also assessed 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.

Outcome of the evaluation was submitted to the Chairman of the Company. The Directors discussed and expressed their satisfaction with the entire evaluation process.

CORPORATE SOCIAL RESPONSIBILITY

The provisions of Section 135 of the Act and rules made thereunder, regarding Corporate Social Responsibility('CSR') are not attracted to the Company as the Company does not fall under the threshold limit of net worth of ₹500 crore or turnover of ₹1,000 crores or a net profit of ₹5 Crore during the financial year. In view of this, the Board of Directors in their meeting held on July 06, 2020 has dissolved the CSR Committee w.e.f. July 06, 2020.

INTERNAL FINANCIAL CONTROLS

A well-established, independent, multi-disciplinary Internal Audit team operates in line with governance best practices. It reviews and reports to management and the Audit Committee about compliance with internal controls and the efficiency and effectiveness of operations as well as the key process risks.

The Company has in place adequate internal financial controls with reference to Financial Statements and such controls were operating effectively as at March 31, 2020. These controls have been designed to provide a reasonable assurance with regard to maintaining of proper accounting controls for ensuring reliability of financial reporting, monitoring of operations. During the year, such controls were tested and no reportable weaknesses in the design or operations were observed.

WEBLINK OF ANNUAL RETURN

Pursuant to sub-section 3(a) of section 134 and sub-section (3) of section 92 of the Companies Act, 2013, read with rule 12 of the Companies (Management and Administration) Rules, 2014, as amended vide MCA notification dated August 28, 2020, a copy of the Annual Return is available on the link <https://www.hpthreads.com/corporate-information.php>.

PARTICULARS OF EMPLOYEES AND RELATED DISCLOSURES

Disclosures pertaining to remuneration and other details as required under Section 197(12) of the Act read with Rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 is annexed herewith as **Annexure I** forming integral part of this report.

In terms of the provisions of Section 197(12) of the Act read with Rules 5(2) and 5(3) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, during the year under review none of the employee drawing remuneration in excess of the limits set out in the said Rules.

LOANS, GUARANTEES AND INVESTMENTS

Particulars of loans, guarantees and investments made under the provisions of Section 186 of the Act have been disclosed in Note No. 4 to the Financial Statements forming integral part of the Annual Report.

RELATED PARTY TRANSACTIONS

All Related Party Transactions are placed before the Audit Committee for review and approval. Wherever applicable, prior approval is obtained for related party transactions on a quarterly basis for transactions which are of repetitive nature and / or entered in the ordinary course of business and are at arm's length basis.

The Company had entered into certain related party transactions which were entered into in the ordinary course of business of the Company and were otherwise than on an arm's length basis and the Company has complied with all the applicable provisions of the Companies Act, 2013 and rules framed thereunder in respect of such transactions. Further, your Company has not entered into any arrangement / transaction with related parties which could be considered material in accordance with the Listing Regulations and accordingly, the disclosure of Related Party Transactions in Form AOC – 2 is annexed herewith as **Annexure II** forming integral part of this report. However, names of Related Parties and details of transactions with them have been included in Notes to the financial statements provided in the Annual Report under Indian Accounting Standards 18.

AUDITORS AND AUDITOR'S REPORT

Statutory Auditor

M/s Walker Chandio & Co LLP, Chartered Accountants (ICAI Firm Registration Number 001076N/N500013) were appointed as the Statutory Auditors of the Company to hold office for a term of 5 years from the conclusion of the 37th Annual General Meeting (AGM) held on 22nd September, 2018 until the conclusion of the 42nd AGM of the Company.

The Auditors' Report read together with Annexure referred to in the Auditors' Report do not contain any qualification, reservation, adverse remark or disclaimers except a comment as stated below:

As required by section 197(16) of the Act, we report that the Company has paid remuneration to its managing director and whole-time director in excess of the limits laid down under the provisions of section 197 to the Act by ₹ 29.81 lacs for the year ended 31 March 2020. As disclosed in note 50 to the accompanying financial statements, the Company is in process of regularising the default by obtaining the approval of the shareholders.

Board's Explanation:

Your directors' wish to respond/state in this regard that Shareholders had approved the remuneration of Managerial Personnel under Section 197 read with Schedule V of the Companies Act, 2013 and the overall remuneration paid thereunder was within the limits approved by the members. However, the limits specified therein could not be availed as the notice calling the respective annual general meetings, at which the resolutions w.r.t. appointment/re-appointment of respective Managing/Whole Time/Executive were passed, did not include a statement as required under paragraph (iv) of the second proviso after paragraph B of Section II of Part II of the aforesaid Schedule V, and hence the limits specified therein could not be availed. Accordingly, the Company has regularized the same by obtaining shareholders waiver/approval by special resolutions passed by postal ballot through remote e-Voting on August 30, 2020 wherein the shareholders have approved the waiver of the excess remuneration to respective Managing/Whole Time/Executive Directors pursuant to Section 197(10) of the Companies Act, 2013.

Cost Auditors

As per the provisions with the Rule 4(2) of the Companies (Cost Records and Audit) Rules, 2014, as amended thereto, textile companies shall get its Cost record audited in accordance with these rules if the overall annual turnover of the company from all its products and services during the immediately preceding financial year is ₹100 Crore or more and the aggregate turnover of the individual product or products or service or services for which cost record required to be maintained under Rule 3 is ₹35 Crore or more.

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However, in accordance with the provisions with the Rule 4(3) of the Companies (Cost Records and Audit) Rules, 2014 as amended thereto, the requirement for Cost Audit under the Rules shall not apply to a company whose revenue from export, in foreign exchange, exceeds 75% of its total revenue or which is operating from a SEZ or which is engaged in generation of electricity for captive consumption through Captive Generating Plant.”

Your company’s turnover is below ₹100 crore during the year under review and more than 75% of the Company’s turnover is earned from exports in foreign exchange by the Company. Therefore, the Company is exempt from the said requirement of cost audit.

Therefore, Company has not appointed any Cost Auditor for auditing the cost records of the Company.

Secretarial Auditor

M/s Tarun Jain & Associates, Company Secretaries, were appointed as Secretarial Auditors of the Company by the Board of Directors of the Company in its meeting held on August 13, 2019 for the financial year 2019-20.

The Secretarial Audit Report for the financial year ended March 31, 2020 received from M/s Tarun Jain & Associates, Company Secretaries, Secretarial Auditors of the Company is annexed herewith as **Annexure III** forming integral part of this report.

The said report is self-explanatory and does not contain any qualification, reservation, adverse remark or disclaimers except a comment as stated below:

“During the period under review, the remuneration paid to the (I) Managing Director and (II) Executive Director (ED, CEO & CFO) exceeds the limits specified under section 197 of the Companies Act, 2013.

The limits of remuneration specified under Schedule V are not applicable as the Company has not complied with clause (iv) of second proviso after part B of Section II of Part II of Schedule V of Companies Act, 2013.”

Board’s Explanation:

Your directors’ wish to respond/state in this regard that Shareholders had approved the remuneration of Managerial Personnel under Section 197 read with Schedule V of the Companies Act, 2013 and the overall remuneration paid thereunder was within the limits approved by the members. However, the limits specified therein could not be availed as the notice calling the respective annual general meetings, at which the resolutions w.r.t. appointment/re-appointment of respective Managing/Whole Time/Executive were passed, did not include a statement as required under paragraph (iv) of the second proviso after paragraph B of Section II of Part II of the aforesaid Schedule V, and hence the limits specified therein could not be availed. Accordingly, the Company has regularized the same by obtaining shareholders waiver/approval by special resolutions passed by postal ballot through remote e-Voting on August 30, 2020 wherein the shareholders have approved the waiver of the excess remuneration to respective Managing/Whole Time/Executive Directors pursuant to Section 197(10) of the Companies Act, 2013.

SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

Your Company does not have any Subsidiaries, Associates and Joint Ventures.

MATERIAL CHANGES AFFECTING THE COMPANY

Except as disclosed elsewhere in the Annual Report, there have been no material changes and commitments which can affect the financial position of the Company between the end of the financial year and the date of report.

ENERGY CONSERVATION, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO

The information required under Section 134(3)(m) of the Act, read with the Companies (Accounts) Rules, 2014 is provided as follows and forms part of this report.

A) Conservation of Energy:

- i. The Company ensures that the manufacturing operations are conducted in the Sustainable manner whereby optimum utilization and maximum possible savings of energy is achieved. Energy conservation

continues to be an area of major emphasis in our Company. Efforts are made to optimize the energy cost while carrying out the manufacturing operations.

- ii. As the impact of measures taken for conservation and optimum utilization of energy are not quantitative, its impact on cost cannot be stated accurately.
- iii. No specific investment has been made in reduction in energy consumption.

B) Technology Absorption:

The Company is focused on developing in-house technology to develop new products besides striving to continually improve and absorb latest technology suitable to its product mix with an objective to achieve lower cost of production. Therefore, no technology absorption is required. The Company also constantly strives for maintenance and improvement in its equipment quality of its products and Research & Development activities are directed to achieve the aforesaid goal.

C) Foreign Exchange Earning and Out-Go:

| Particulars | (₹ in lakhs) | |
|---|----------------|----------------|
| | 2019-20 | 2018-19 |
| Foreign Exchange earned (FOB value of exports) | 6131.18 | 6,687.10 |
| Foreign Exchange used (CIF value of imports and expenditure in foreign currency) | 55.80 | 137.78 |

Environment and pollution Control

The Company is conscious of the importance of environmentally clean and safe operations. The Company's policy is to conduct all operations in a manner to ensure safety of all concerned, compliance of statutory and industrial requirements for environment protection and conservation of natural resources to the extent possible. The Company has taken drastic steps and measures in procuring and consuming eco-friendly sustainable dyes and chemicals for promoting eco-logically sustainable technologies and promoting recycling and re-use and the Company has reputed certification including OEKOTEX and GOTS to its credentials.

The Company has effectively come out with implementation of Zero Liquid Discharge Project ("ZLD") for effluent water management as per the guidelines issued by Haryana state pollution Control Board. It is used to eliminate the hard fluids and to purify the water slowly and steadily. This process is used to make the water drinkable, reusable or to recycle.

Quality Management System

The Company continues to lay emphasis on excellence in quality and services and certified ISO 9001:2008 QMS certification and is also committed to total customer satisfaction. The high quality of the Company products is reflected in the Company ability to export its product in quality conscious world markets. The company continues to be on a mission to provide customers with products that can match with international standards and will surpass their expectations.

DIRECTORS' RESPONSIBILITY STATEMENT

The Directors hereby confirm:

- a) that in the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures;
- b) that they have selected such accounting policies as mentioned in the Notes to the financial statements have been applied consistently and judgments and estimates that are reasonable and prudent have been made so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the Company for that period;

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- c) that proper and sufficient care has been taken for the 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 fraud and other irregularities;
- d) that the annual accounts have been prepared on a going concern basis;
- e) that proper internal financial controls were followed by the Company and that such internal financial controls are adequate and were operating effectively; and
- f) that proper systems to ensure compliance with the provisions of all applicable laws were in place and that such systems were adequate and operating effectively.

RISK MANAGEMENT

Risk mitigation continues to be a key area of concern for the Company, which has regularly invested in insuring itself against unforeseen risks. The Company's stocks and insurable assets like building, plant & machinery, computer equipment, office equipment, furniture & fixtures, lease hold improvements and upcoming projects have been adequately insured against major risks.

Pursuant to Section 134(3)(n) of Act and Listing Regulations, the Company has constituted a Risk Management Committee. The Board of Directors of the company has also formulated Risk Management Policy in accordance with the Act and Listing Regulations. The aim of risk management policy is to maximize opportunities in all activities and to minimize adversity. The policy includes identifying types of risks and its assessment, risk handling, monitoring and reporting, which in the opinion of the Board may threaten the existence of the Company.

The Risk Management policy may be accessed on the Company's website at the Weblink: <http://hpthreads.com/corporate-information.php>.

VIGIL MECHANISM

Your Company has adopted a Vigil Mechanism with a view to provide its employees an avenue to raise any sensitive concerns regarding any unethical behavior or wrongful conduct and to provide adequate safeguard for protection from any victimization.

In accordance with the provisions of Section 177(9) of the Act, every listed company shall establish a vigil mechanism for directors and employees to report genuine concerns of unethical behavior, actual or suspected fraud or violation of the codes of conduct.

Accordingly, the Company has framed the policy to align the same with the provisions of Section 177(9) of the Act read with Rule 7 of the Companies (Meetings of Board and its Powers) Rules, 2014 and Regulation 22 of SEBI (LODR) Regulations and may be accessed on the Company's website at the Weblink: <http://hpthreads.com/corporate-information.php>.

This Policy inter-alia provides a direct access to the Chairman of the Audit Committee and affirms that no Director/employee have been denied access to the Chairman of the Audit Committee and that no complaints were received during the year.

PREVENTION OF SEXUAL HARASSMENT

The Company has adopted a policy on sexual harassment at workplace in line with the requirements of the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013. During the year, the Board of Directors has re-constituted the Internal Complaint Committee (ICC) at the Company's Registered Office under the said Act. All the employees (permanent, contractual, temporary, trainees) are covered under this policy.

During the year under review, there was no complaints filed or registered pursuant to this Act.

CORPORATE GOVERNANCE

In terms of provision of regulation 15(2) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, compliance with the Corporate Governance provisions as specified under regulations 17 to 27 and clause (b) to (i) of sub-regulation (2) of regulation 46 and para C, D and E of Schedule V is not applicable to the Company as paid-up share capital

of the Company is less than Rs. 10 crore and net-worth of the Company is less than Rs. 25 crores, as on the financial year ended on March 31, 2020. Hence Corporate Governance report does not form part of this Annual Report.

CODE OF CONDUCT

The Board of Directors has approved a Code of Conduct which is applicable to the Members of the Board and all employees in the course of day to day business operations of the Company. The Company believes in “Zero Tolerance” against bribery, corruption and unethical dealings / behaviors of any form and the Board has laid down the directives to counter such acts.

The code lays down the standard procedure of business conduct which is expected to be followed by the Directors and the designated employees in their business dealings and in particular on matters relating to integrity in the work place, in the business practices and in dealing with stakeholders.

The code also lays down that Board Members and Senior Managers of the Company shall ensure compliance with SEBI (Prohibition of Insider Trading) regulations, 2015 as also other regulations as may be applicable to them from time to time.

The Code may be accessed on the Company’s website at the Weblink: <http://hpthreads.com/corporate-information.php>.

All the Boards Members and the Senior Management personnel have confirmed compliance with the Code for the Financial Year ended March 31, 2020. The declaration to this effect signed by CEO and Managing Director is annexed herewith as **Annexure IV** forming integral part of this report.

OTHER STATUTORY DISCLOSURES

During the year under review:

1. No significant and material orders were passed by the Regulators/ Courts/ Tribunals which impact the going concern status and Company’s operations in future.
2. No equity shares were issued with differential rights as to dividend, voting or otherwise.
3. No Sweat Equity shares were issued.
4. The Company does not have any scheme of provision of money for the purchase of its own shares by employees or by trustees for the benefit of employees.
5. No deposits have been accepted by the Company from the public. The Company had no outstanding, unpaid or unclaimed public deposits at the beginning and end of FY 2019-20.
6. Neither the Managing Director nor the Whole-time Directors of the Company receive any remuneration or commission from any of its subsidiaries, as your company don’t have any subsidiary company.
7. Maintenance of cost records under sub-section (1) of Section 148 of the Act is not applicable to the Company.
8. No Change in nature of Business of Company.
9. No fraud has been reported by the Statutory Auditors and Secretarial Auditors to the Audit Committee or the Board.
10. No Corporate Insolvency Resolution Process initiated under the Insolvency and Bankruptcy Code, 2016.

The Company has complied with the applicable Secretarial Standards on Meetings of the Board of Directors and on General Meetings issued by the Institute of Company Secretaries of India.

ACKNOWLEDGEMENTS

Your Directors take this opportunity to thank and acknowledge with gratitude, the contribution, cooperation and assistance received from the Government and Regulatory Authorities, Business Partners, Bankers, Members, Vendors and other Stakeholders

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Your Directors would also like to appreciate the confidence and loyalty displayed by the Customers and Shareholders for their confidence in the Company and its management and look forward for their continuous support. The Board wishes to place on record its appreciation for the dedication and commitment of your Company's employees at all levels which has continued to be our major strength.

For and on behalf of the Board

Sd/-

Kailash Kumar Agarwal

Chairman and Managing Director

DIN: 00063470

New Delhi

September 01, 2020

ANNEXURE - I**Details under Section 197(12) of the Companies Act, 2013 read with Rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014**

- a. The ratio of the remuneration of each Director to the median remuneration of the employees and the performance of the Company for the year 2019-20:

(₹ in lakhs)

| S. No. | Name | Designation | % increase of remuneration in FY 2020 as compared to FY 2019 | Ratio of Remuneration to Median Remuneration |
|--|---------------------------------------|--------------------------------|--|--|
| EXECUTIVE DIRECTORS | | | | |
| 1. | Kailash Kumar Agarwal | Chairman & Managing Director | 0.49 | 21.80 |
| 2. | RaghavKumar Agarwal# ¹ | Whole-time Director, CEO & CFO | 2.15 | 16.58 |
| NON-EXECUTIVE DIRECTORS | | | | |
| 3. | Bibhuti Charan Talukdar# ² | Independent Director | ^ | ^^ |
| 4. | Parshotam Dass Agarwal | Independent Director | N.A. | 1.18 |
| 5. | Mohan Lal Jain | Independent Director | N.A. | 0.95 |
| 6. | Ritu Bansal | Independent Director | N.A. | 1.06 |
| 7. | Surendra Kumar Agarwal# ³ | Additional Director | ^ | ^^ |
| 8. | Ravindra Agarwal# ³ | Additional Director | ^ | ^^ |
| KEY MANAGERIAL PERSONNEL OTHER THAN EXECUTIVE DIRECTORS | | | | |
| 9. | Shashi Ranjan Kumar# ⁴ | Company Secretary | ^ | N.A. |
| 10. | Shubham Jain# ⁵ | Company Secretary | ^ | N.A. |

^ Since the remuneration is only part of the year, the percentage increase in remuneration is not comparable and hence, not stated

^^ Since the remuneration is only part of the year, the ratio of their remuneration to median remuneration is not comparable and hence, not stated

#1 Appointed as Whole-Time Director w.e.f May 30, 2019

#2 Ceased as an Independent Director w.e.f September 15, 2019

#3 Appointed as an Additional Director w.e.f May 30, 2019 and ceased w.e.f November 08, 2019

#4 Ceased as a Company Secretary w.e.f May 28, 2019

#5 Appointed as a Company Secretary w.e.f August 13, 2019

| | |
|--|---|
| B. The percentage increase in the median remuneration of the employees during the financial year | 2.90% |
| C. Number of permanent employees on the rolls of the Company | 1,224 |
| (As on March 31, 2020) | |
| D. Average percentile increase already made in the salaries of employees other than the managerial personnel in the last financial year and its comparison with the percentile increase in the managerial remuneration and justification thereof and point out if there are any exceptional circumstances for increase in the managerial remuneration | The average increase in the salaries of the employees other than managerial personnel in the last financial year was 2.94 %. The average increase in managerial remuneration in the last financial year was 1.21%. The remuneration and perquisites provided to the employees including that of the management are on par with industry levels, performance indicators and is in line with the resolutions approved by the Board of Directors and Shareholders. |
| E. Affirmation that the remuneration is as per the remuneration policy of the Company | The Company affirms that the remuneration is as per the remuneration policy of the Company. |

For and on behalf of the Board

Sd/-

Kailash Kumar Agarwal

Chairman and Managing Director

DIN: 00063470

New Delhi

September 01, 2020

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: Your Company has entered into contracts/arrangements/transactions with its related parties, which are in ordinary course of business but not at arm's length during FY 2020 as mentioned below:

| S. No. | (1) | (2) |
|---|---|---|
| Name of Related Party | HP Infratech Private Limited | HP Merchantainment Private Limited |
| Nature of Relationship | Mr. Kailash Kumar Agarwal, Managing Director and Mr. RaghavKumar Agarwal, Executive Director of the Company, are also Director in HP Infratech Private Limited | Mr. RaghavKumar Agarwal, Executive Director of the Company, is also Director in HP Merchantainment Private Limited |
| Nature of Contract/ Arrangement/Transactions | No Objection Certificate to HP Infratech Private Limited for registration of Corporate Office of the Company as the Registered Office of HP Infratech Private Limited | No Objection Certificate to HP Merchantainment Private Limited for registration of Corporate Office of the Company as the Registered Office of HP Merchantainment Private Limited. |
| Duration of Contract/ Arrangement | w.e.f. 11 th February, 2020 (Continuous Basis) | w.e.f 11 th February, 2020 (Continuous Basis) |
| Terms of Contract/ Arrangement | Other than keeping the Corporate Office address as the registered office by the Group Company, there will not be any utilization of the facility/services by such Group Company and hence no lease rental is proposed to be charged therefor. | Other than keeping the Corporate Office address as the registered office by the Group Company, there will not be any utilization of the facility/services by such Group Company and hence no lease rental is proposed to be charged therefor. |
| Justification for entering into such contracts or arrangements or transactions | No material financial or operational loss of the Company on entering into such contract or arrangement or transaction | No material financial or operational loss of the Company on entering into such contract or arrangement or transaction |

| | | |
|---|-------------------|-------------------|
| Date of Approval by the Board, if any | February 11, 2020 | February 11, 2020 |
| Amount Paid as Advance, if any | Nil | Nil |
| Date on which the special resolution was passed by Members, if any | N.A. | N.A. |

2. Details of material contracts or arrangement or transactions at arm's length basis:
- Name(s) of the related party and nature of relationship: Not Applicable
 - Nature of contracts/arrangements/transactions: Not Applicable
 - Duration of the contracts/arrangements/transactions: Not Applicable
 - Salient terms of the contracts or arrangements or transactions including the value, if any: Not Applicable
 - Date(s) of approval by the Board, if any: Not Applicable
 - Amount paid as advances, if any: None

For and on behalf of the Board

Sd/-

Kailash Kumar Agarwal

Chairman and Managing Director

DIN: 00063470

New Delhi

September 01, 2020

Form No. MR-3
SECRETARIAL AUDIT REPORT
FOR THE FINANCIAL YEAR ENDED 31st March, 2020

[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,

H P COTTON TEXTILE MILLS LIMITED

15th K.M. Stone, Delhi Road,

V.P.O. Mayar, Hissar Haryana 125044

We have conducted the secretarial audit of the compliances of applicable statutory provisions and the adherence to good corporate practices by H P Cotton Textile Mills Limited (hereinafter called “the company”). Secretarial Audit was conducted in a manner that has provided 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 March 31, 2020 complied with the statutory provisions listed hereunder and also that the Company has proper Board-processes and compliance-mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

We have examined the books, papers, minute books, forms and returns filed and other records maintained by the Company for the financial year ended on March 31, 2020 and found that company was in compliance of following:

- (i) The Companies Act, 2013 (the Act) and the rules made there under, as may be applicable;
- (ii) The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made there under;
- (iii) The Depositories Act, 1996 and the Regulations and rules framed there under;
- (iv) Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder to extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial borrowings;
- (v) The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act'): -
 - **Applicable on the Company for the FY 2019-20**
 - a) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;
 - b) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015;
 - c) The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client;
 - d) The Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015

- **Not Applicable on the Company for the FY 2019-2020**
 - a) The Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014;
 - b) The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008;
 - c) The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009; and;
 - d) The Securities and Exchange Board of India (Buy-back of Securities) Regulations 2018;
 - e) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018;
- (vi) As confirmed by the management, there are no other laws specifically applicable in relation to the business of the Company.

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

- (i) Secretarial Standards issued by The Institute of Company Secretaries of India and notified by Ministry of Corporate Affairs; and
- (ii) The Equity listing agreement entered into by the Company with BSE limited.

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

During the period under review, the remuneration paid to the (I) Managing Director and (II) Executive Director (ED, CEO & CFO) exceeds the limits specified under section 197 of the Companies Act, 2013.

The limits of remuneration specified under Schedule V are not applicable as the Company has not complied with clause (iv) of second proviso after part B of Section II of Part II of Schedule V of Companies Act, 2013.

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 were sent at least seven days in advance, and a system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting.

All decisions at Board Meetings and Committee Meetings are carried out unanimously as recorded in the minutes of the meetings of the Board of Directors or Committee of the Board, as the case may be.

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.

During the audit period the 38th Annual General Meeting of the Company which was scheduled to be held on September 30, 2019 was cancelled as complaints were received from some of its large shareholders stating that their e-voting rights exercised by somebody fraudulently without their knowledge. Accordingly, the Board cancelled the Annual General Meeting and reconvened it on 08th November, 2019 after obtaining necessary approvals from the Registrar of Companies Delhi and Haryana.

**For Tarun Jain & Associates
Company Secretaries**

**TARUN JAIN
(Prop.)**

Membership No.: F4645

C.P. No.: 4317

UDIN: F004645B000641006

**Place: New Delhi
Date: September 01, 2020**

Note: This report is to be read with our letter of even date which is annexed as **Annexure-A** and forms an integral part of this report.

**The Members,
H P COTTON TEXTILE MILLS LIMITED**
15th K.M. Stone, Delhi Road,
V.P.O. Mayar, Hissar Haryana 125044

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 processes as were appropriate to obtain reasonable assurance about the correctness of the contents of the secretarial records. The verification was done on the random test basis to ensure that correct facts are reflected in secretarial records. We believe that the processes and practices, we followed provide a reasonable basis 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 of laws, rules and regulations and happening of events etc.
5. The compliance of the provisions of Corporate and other applicable laws, rules, regulations, standards is the responsibility of management. Our examination was limited to the verification of procedures on the random test basis.
6. The Secretarial Audit report is neither an assurance as to the future viability of the company nor of the efficacy or effectiveness with which the management has conducted the affairs of the Company.

**For Tarun Jain & Associates
Company Secretaries**

**TARUN JAIN
(Prop.)**

Membership No.: F4645

C.P. No.: 4317

UDIN: F004645B000641006

**Place: New Delhi
Date: September 01, 2020**

DECLARATION ON CODE OF CONDUCT

It is hereby declared that all Board Members and Senior Management Personnel of the Company have affirmed compliance with the 'Code of Conduct for Board Members & Senior Management' for the year ended March 31, 2020.

New Delhi
September 01, 2020

Sd/-
Raghav Kumar Agarwal
Whole-Time Director, CEO and CFO
DIN : 02836610

INDEPENDENT AUDITOR'S REPORT

To the Members of H.P. Cotton Textile Mills Limited Report on the Audit of the Financial Statements

Opinion

1. We have audited the accompanying financial statements of H.P. Cotton Textile Mills Limited ('the Company'), which comprise the Balance Sheet as at 31 March 2020, the Statement of Profit and Loss (including Other Comprehensive Income), the Cash Flow Statement and the Statement of Changes in Equity for the year then ended, and a summary of the significant accounting policies and other explanatory information.
2. 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 Companies Act, 2013 ('Act') in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India including Indian Accounting Standards ('Ind AS') specified under section 133 of the Act, of the state of affairs of the Company as at 31 March 2020, and its profit (including other comprehensive income), its cash flows and the changes in equity for the year ended on that date.

Basis for Opinion

3. We conducted our audit in accordance with the Standards on Auditing specified under section 143(10) of the Act. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India ('ICAI') together with the ethical requirements that are relevant to our audit of the financial statements under the provisions of the Act and the rules thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter- Uncertainties and the impact of COVID 19 on financial statements

4. We draw attention to note 48 of the accompanying financial statements, which describes the effect of uncertainties relating to COVID-19 pandemic outbreak on the Company's operations and management's evaluation of its impact on the accompanying financial statements as at the balance sheet date, the extent of which is significantly dependent on future developments. Our opinion is not modified in respect of this matter.

Key Audit Matter

5. Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.
6. We have determined the matter described below to be the key audit matters to be communicated in our report.

| Key audit matter | How our audit addressed the key audit matter |
|--|---|
| <p>Existence and valuation of Inventories</p> <p>At the balance sheet date 31 March 2020, the Company holds inventories comprising of raw materials and components, finished goods, work-in-progress aggregating to ₹ 2,137.24 lacs as disclosed in note 8 to the accompanying financial statements of the Company. Such inventory is carried at cost, or net realisable value whichever is lower, as per the accounting policy disclosed in note 2.3 (vi).</p> <p>Existence:</p> <p>The management performs physical verification of its inventory on a monthly basis. However, due to the outbreak of COVID-19, there was a lockdown enforced in the country at year-end and several restrictions were imposed by the respective state governments across India on travel and movement considering public health and safety measures which resulted into complexities for the management to carry out the physical verification of inventory as per the aforesaid plan. Accordingly, the physical verification of the inventory was conducted by the management subsequent to year-end and the balance was rolled back to determine the existence of such inventory as at 31 March 2020.</p> <p>Valuation:</p> <p>Determination of cost of inventory involves allocation of various production and administration overheads incurred to bring the inventory to its present location and condition, which involves management judgement and estimation.</p> <p>Amongst the other overheads, fixed production overheads are allocated to the costs of conversion based on the normal capacity of the production facilities in accordance with the principles of Ind AS -2, Inventories.</p> | <p>Our audit work included, but was not limited to, the following procedures:</p> <ul style="list-style-type: none"> • Evaluated the appropriateness of the Company’s accounting policy and valuation method of inventory in accordance with the applicable accounting standards. • Assessed the design and implementation of controls in respect of the inventory existence and valuation, and tested the effectiveness of key inventory controls. <p>Existence:</p> <ul style="list-style-type: none"> • Obtain and reviewed the supporting documents of the physical verification count performed by the management including roll back calculations. Ensured that the discrepancies, if any found in such management count, were properly adjusted in the books of accounts, along with necessary approvals as per controls implemented by the Company. • Appointed an independent firm of Chartered Accountants for providing direct assistance in carrying out physical verification of the inventory on a sample basis subsequent to the balance sheet date, and supervised and reviewed the work performed by them using audio/video conferencing facilities. • Performed roll-back procedures by verification of movement between the year-end date and sample test count date with the supporting documents which included purchase invoice, sales invoice, dispatch register, gate inward/outward register, etc., to reconcile such test counts to the management counts performed in order substantiate the existence of inventory as at the reporting date; <p>Valuation:</p> <ul style="list-style-type: none"> • Discussed with management the rationale supporting assumptions and estimates used in carrying out the inventory valuation, and corroborated the same to our understanding of the business. Tested the computation of various overhead absorption rates by tracing the underlying data to audited historical operational results of the company. • Verified the expenses considered as cost of conversion including estimates for apportionment of the conversion on the different classes of finished goods and work in progress and recomputed the arithmetical accuracy thereof for calculating the conversion cost considered as part of the finished goods and work in progress. |

| | |
|--|--|
| <p>Further, at the end of each reporting period, the management of the Company also assesses whether there is any objective evidence that net realisable value of any item of inventory is below the carrying value. If so, such inventories are written down to their net realisable value in accordance with Ind AS 2, Inventories.</p> <p>Considering the aforesaid complexities involved in physical verification of inventory at the year-end which required us to undertake alternate audit techniques as described in this key audit matter, and significant management judgements and estimates required with respect to valuation of inventory, this matter has been determined to be a key audit matter for the current year audit.</p> | <ul style="list-style-type: none"> • Obtained understanding of management process for identification of slow moving, non-moving or obsolete inventories and ensured that the same is consistently applied. • Recomputed the net realisable value of the finished goods and reviewed the management assessment for carrying inventory at lower of cost and net realisable value. • Tested ageing of inventory items obtained through system reports, as applicable. • Obtained written representations from management and those charged with governance on the completeness and adequacy of inventory allowance recognised as at the year-end. • Evaluated the appropriateness and adequacy of disclosures made in the financial statements in accordance with the applicable accounting standards. |
| <p>Implementation of new IT system for financial reporting and related migration of data</p> <p>From 01 April 2019, the Company has implemented new accounting software, 'DataTex' (except for inventory module), for supporting its operations and financial reporting, which required an extensive exercise of data migration from the erstwhile implemented IT system.</p> <p>Further, the Company's accounting and financial reporting processes are dependent on the automated controls enabled by IT systems which impacts key financial accounting and reporting items.</p> <p>The controls implemented by the Company in its IT environment determine the integrity, accuracy, completeness and validity of data that is processed by the applications and is ultimately used for financial reporting.</p> <p>Such significant system change increases the risk to the internal financial controls environment. These changes represent a financial reporting risk while migration takes place as controls and processes that have been established over a number of years are updated and migrated into a new environment. Hence, considering the significance of the activity and the volume of the transactions involved in the migration process and considering the pervasive impact on the financial statements, this matter has been determined as a key audit matter for current year audit</p> | <p>Our audit work included, but was not limited to, the following procedures:</p> <ul style="list-style-type: none"> • Obtained the understanding of the migration of data and information carried out by the Company during the current year and verified that the closing balances of previous year end has been properly migrated as the opening balances in the new accounting software. • Involved our IT specialists as part of our audit team to perform procedures in relation to the new IT system, which included, but were not limited to the following: <ul style="list-style-type: none"> ✓ Obtained an understanding of the Company's IT related control environment; ✓ Tested the design and operating effectiveness of the Company's IT controls; ✓ Tested IT general controls particularly, logical access, changes management and aspects of IT operational controls; ✓ Tested controls around Company's periodic review of access rights and inspected requests of changes to systems for appropriate approval and authorization; ✓ Tested that requests for access to systems were appropriately reviewed and authorized; ✓ Tested various specific key controls configured in the system; ✓ Where deficiencies were identified, tested compensating controls or performed alternative procedures. |

Information other than the Financial Statements and Auditor's Report thereon

7. The Company's Board of Directors is responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the financial statements and our auditor's report thereon. The Annual Report is expected to be made available to us after the date of this auditor's report.

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

When we read the Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of Management for the Financial Statements

8. The Company's Board of Directors is responsible for the matters stated in section 134(5) of the Act with respect to the preparation of these financial statements that give a true and fair view of the state of affairs (financial position), profit or loss (financial performance including other comprehensive income), changes in equity and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Ind AS specified under section 133 of the Act. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.
9. In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.
10. Those Board of Directors is also responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

11. Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.
12. As part of an audit in accordance with Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve

collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the Company has adequate internal financial controls system in place and the operating effectiveness of such controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

13. We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

15. From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

16. As required by section 197(16) of the Act, we report that the Company has paid remuneration to its managing director and whole-time director in excess of the limits laid down under the provisions of section 197 to the Act by ₹ 29.81 lacs for the year ended 31 March 2020. As disclosed in note 50 to the accompanying financial statements, the Company is in process of regularising the default by obtaining the approval of the shareholders.

17. As required by the Companies (Auditor's Report) Order, 2016 ('the Order') issued by the Central Government of India in terms of section 143(11) of the Act, we give in the Annexure I, a statement on the matters specified in paragraphs 3 and 4 of the Order.

18. Further to our comments in Annexure I, 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 of the accompanying financial statements;
- 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;

H. P. Cotton Textile Mills Limited

- c) the financial statements dealt with by this report are in agreement with the books of account;
- d) in our opinion, the aforesaid financial statements comply with Ind AS specified under section 133 of the Act;
- e) on the basis of the written representations received from the directors and taken on record by the Board of Directors, none of the directors is disqualified as on 31 March 2020 from being appointed as a director in terms of section 164(2) of the Act;
- f) we have also audited the internal financial controls with reference to financial statements of the Company as on 31 March 2020 in conjunction with our audit of the financial statements of the Company for the year ended on that date and our report dated 06 July 2020 as per Annexure II expressed unmodified opinion; and
- 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 (as amended), in our opinion and to the best of our information and according to the explanations given to us:
 - i. the Company, as detailed in note 35 to the financial statements, has disclosed the impact of pending litigations on its financial position as at 31 March 2020;
 - ii. the Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses as at 31 March 2020;
 - iii. there were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company during the year ended 31 March 2020; and
 - iv. the disclosure requirements relating to holdings as well as dealings in specified bank notes were applicable for the period from 8 November 2016 to 30 December 2016, which are not relevant to these financial statements. Hence, reporting under this clause is not applicable.

For **Walker Chandiok & Co LLP**
Chartered Accountants
Firm's Registration No.: 001076N/N500013

Rohit Arora
Partner
Membership No. 504774
UDIN: 20504774AAAADP3704

Place: New Delhi
Date: 06 July 2020

Annexure I to the Independent Auditor's Report of even date to the members of H.P. Cotton Textile Mills Limited on the financial statements for the year ended 31 March 2020

Annexure I

Based on the audit procedures performed for the purpose of reporting a true and fair view on the financial statements of the Company and taking into consideration the information and explanations given to us and the books of account and other records examined by us in the normal course of audit, and to the best of our knowledge and belief, we report that:

- (i)
 - (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of property, plant and equipment ('PPE').
 - (b) The Company has a regular program of physical verification of its PPE under which PPE are verified in a phased manner over a period of three years, which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. In accordance with this program, certain PPE were verified during the year and no material discrepancies were noticed on such verification.
 - (c) According to the information and explanations given by the management the title deeds of immovable properties amounting to ₹ 20.75 lacs included in property, plant and equipment have been given as security (mortgage and charge) against the financing facility taken from banks and we have been explained that the original title deeds are kept as security with SBI Bank. Therefore, these title deeds could not be made available to us for verification. However, the same has been confirmed by the bank. Accordingly, based on the information and explanation given to us by the management and confirmation received from bank, we report that the title deeds of all the immovable properties (which are included under the head 'Property, plant and equipment') are held in the name of the Company.
- (ii) In our opinion, the management has conducted physical verification of inventory at reasonable intervals during the year and no material discrepancies between physical inventory and book records were noticed on physical verification.
- (iii) The Company has not granted any loan, secured or unsecured to companies, firms, Limited Liability Partnerships (LLPs) or other parties covered in the register maintained under Section 189 of the Act. Accordingly, the provisions of clauses 3(iii)(a), 3(iii)(b) and 3(iii)(c) of the Order are not applicable.
- (iv) In our opinion, the Company has not entered into any transaction covered under Sections 185 and 186 of the Act. Accordingly, the provisions of clause 3(iv) of the Order are not applicable.
- (v) In our opinion, the Company has not accepted any deposits within the meaning of Sections 73 to 76 of the Act and the Companies (Acceptance of Deposits) Rules, 2014 (as amended). Accordingly, the provisions of clause 3(v) of the Order are not applicable.
- (vi) We have broadly reviewed the books of account maintained by the Company pursuant to the Rules made by the Central Government for the maintenance of cost records under sub-section (1) of Section 148 of the Act in respect of Company's products and are of the opinion that, prima facie, the prescribed accounts and records have been made and maintained. However, we have not made a detailed examination of the cost records with a view to determine whether they are accurate or complete.
- (vii)
 - (a) Undisputed statutory dues including provident fund, employees' state insurance, income-tax, sales-tax, service tax, duty of custom, duty of excise, value added tax, cess and other material statutory dues, as applicable, have not been deposited regularly to the appropriate authorities as there have been significant delays in a large number of cases. However, these have been deposited by the Company to the appropriate authorities. Further, no undisputed amounts payable in respect thereof were outstanding at the year-end for a period of more than six months from the date they become payable.

- (b) There are no dues in respect of income-tax, sales-tax, service tax, duty of customs, duty of excise and value added tax that have not been deposited with the appropriate authorities on account of any dispute.
- (viii) The Company has not defaulted in repayment of loans or borrowings to any bank or financial institution or government during the year. The Company did not have any outstanding debentures during the year.
- (ix) The Company did not raise moneys by way of initial public offer or further public offer (including debt instruments). In our opinion, the term loans were applied for the purposes for which the loans were obtained.
- (x) No fraud by the Company or on the company by its officers or employees has been noticed or reported during the period covered by our audit.
- (xi) The Company has paid managerial remuneration to its managing director and whole-time director, in excess of the limits laid down under the provisions of section 197 to the Act for the year ended 31 March 2020 as described in paragraph 16 of our audit report. The details of the excess managerial remuneration are as follows:

| Payment made to | Amount Paid/ provided in excess of limits prescribed | Amount due for Recovery as at 31 March 2020 | Step taken to secure the recovery of the amount |
|---------------------|--|---|--|
| Managing Director | 19.03 | Nil | The Company is in process of regularising the default by obtaining the approval of the shareholders. |
| Whole-time Director | 10.78 | Nil | |

- (xii) In our opinion, the Company is not a Nidhi Company. Accordingly, provisions of clause 3(xii) of the Order are not applicable.
- (xiii) In our opinion all transactions with the related parties are in compliance with Sections 177 and 188 of Act, where applicable, and the requisite details have been disclosed in the financial statements etc., as required by the applicable Ind AS.
- (xiv) During the year, the Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures.
- (xv) In our opinion, the Company has not entered into any non-cash transactions with the directors or persons connected with them covered under Section 192 of the Act.
- (xvi) The Company is not required to be registered under Section 45-IA of the Reserve Bank of India Act, 1934.

For **Walker Chandiok & Co LLP**
 Chartered Accountants
 Firm’s Registration No.: 001076N/N500013

Rohit Arora
 Partner
 Membership No. 504774
 UDIN: 20504774AAAADP3704

Place: New Delhi
Date: 06 July 2020

Annexure II to the Independent Auditor's Report of even date to the members of H.P. Cotton Textile Mills Limited on the financial statements for the year ended 31 March 2020

Annexure II

Independent Auditor's Report on the internal financial controls with reference to the financial statements under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ('the Act')

1. In conjunction with our audit of the financial statements of H.P. Cotton Textile Mills Limited ('the Company') as at and for the year ended 31 March 2020, we have audited the internal financial controls with reference to financial statements of the Company as at that date.

Responsibilities of Management and Those Charged with Governance for Internal Financial Controls

2. The Company's Board of Directors is responsible for establishing and maintaining internal financial controls based on the internal financial controls with reference to financial statements criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting ("the Guidance Note") 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 the Company's business, including adherence to the Company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Act.

Auditor's Responsibility for the Audit of the Internal Financial Controls with Reference to Financial Statements

3. Our responsibility is to express an opinion on the Company's internal financial controls with reference to financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the ICAI prescribed under Section 143(10) of the Act, to the extent applicable to an audit of internal financial controls with reference to financial statements, and the Guidance Note issued by the ICAI. 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 with reference to financial statements were established and maintained and if such controls operated effectively in all material respects.
4. Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls with reference to financial statements and their operating effectiveness. Our audit of internal financial controls with reference to financial statements includes obtaining an understanding of such internal financial controls, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.
5. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company's internal financial controls with reference to financial statements.

Meaning of Internal Financial Controls with Reference to Financial Statements

6. A company's internal financial controls with reference to financial statements 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 controls with reference to financial statements include 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 with Reference to Financial Statements

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

Opinion

8. In our opinion, the Company has, in all material respects, adequate internal financial controls with reference to financial statements and such controls were operating effectively as at 31 March 2020, based on the internal financial controls with reference to financial statements criteria established by the Company considering the essential components of internal control stated in the Guidance Note issued by ICAI.

For **Walker Chandiok & Co LLP**
Chartered Accountants
Firm's Registration No.: 001076N/N500013

Rohit Arora
Partner
Membership No. 504774
UDIN: 20504774AAAADP3704

Place: New Delhi
Date: 06 July 2020

Balance sheet as at 31 March 2020

(All amounts in ₹ lacs, unless stated otherwise)

| | Note | As at 31 March 2020 | As at 31 March 2019 |
|---|------|------------------------|------------------------|
| Assets | | | |
| Non-current assets | | | |
| a) Property, plant and equipment | 3 | 2,001.04 | 2,150.06 |
| b) Capital work-in-progress | | - | 80.90 |
| c) Right-of-use assets | | 153.92 | - |
| d) Other intangible assets | 3 | 83.39 | 3.30 |
| e) Financial assets | | | |
| i) Loans | 4 | 141.90 | 142.02 |
| ii) Other financial assets | 5 | - | 222.64 |
| f) Deferred tax assets (net) | 6 | 33.54 | 49.18 |
| g) Other non-current assets | 7 | 22.93 | 26.74 |
| | | 2,436.72 | 2,674.84 |
| Current assets | | | |
| a) Inventories | 8 | 2,137.24 | 2,493.78 |
| b) Financial assets | | | |
| i) Trade receivables | 9 | 607.70 | 729.63 |
| ii) Cash & cash equivalents | 10 | 10.96 | 22.60 |
| iii) Bank balances other than (ii) above | 11 | 130.79 | 666.73 |
| iv) Other financial assets | 12 | 186.01 | 272.54 |
| c) Current tax assets (net) | 13 | 50.93 | 31.66 |
| d) Other current assets | 14 | 523.75 | 470.90 |
| | | 3,647.38 | 4,687.84 |
| | | 6,084.10 | 7,362.68 |
| Equity and liabilities | | | |
| Equity | | | |
| a) Equity share capital | 15 | 381.00 | 381.00 |
| b) Other equity | 16 | 1,519.63 | 1,444.69 |
| | | 1,900.63 | 1,825.69 |
| Liabilities | | | |
| Non-current liabilities | | | |
| a) Financial liabilities | | | |
| i) Borrowings | 17 | 30.88 | 67.88 |
| ii) Lease liability | | 104.19 | - |
| b) Provisions | 18 | 242.16 | 294.85 |
| | | 377.23 | 362.73 |
| Current liabilities | | | |
| a) Financial liabilities | | | |
| i) Borrowings | 19 | 1,321.57 | 1,979.90 |
| ii) Trade payables | 20 | | |
| - total outstanding dues of micro enterprises and small enterprises | | 70.84 | 57.53 |
| -total outstanding dues of creditors other than micro enterprises and small enterprises | | 1,569.94 | 1,739.44 |
| iii) Lease liability | | 47.67 | - |
| iv) Other financial liabilities | 21 | 279.45 | 1,031.34 |
| b) Other current liabilities | 22 | 329.83 | 158.30 |
| c) Provisions | 23 | 183.83 | 207.75 |
| d) Current tax liabilities (net) | 24 | 3.11 | - |
| | | 3,806.24 | 5,174.26 |
| | | 6,084.10 | 7,362.68 |

The accompanying notes form an integral part of these financial statements

This is the balance sheet referred to in our report of even date.

For Walker Chandiook & Co LLP
Chartered Accountants
Firm Registration Number: 001076N/N500013

Rohit Arora
Partner
Membership No. 504774

Place: New Delhi
Date: 06 July 2020

For and on behalf of the Board of Directors of
H.P. Cotton Textile Mills Limited

Kailash Kumar Agarwal
Chairman & Managing Director
DIN: 00063470

Raghav Kumar Agarwal
Executive Director, CEO & CFO
DIN: 02836610

Shubham Jain
Company Secretary
Membership No. : 49541

Place: New Delhi
Date: 06 July 2020

Statement of profit and loss for the year ended 31 March 2020

(All amounts in ₹ lacs, unless stated otherwise)

| Particulars | Note | Year ended 31 March 2020 | Year ended 31 March 2019 |
|--|------|-----------------------------|-----------------------------|
| Income | | | |
| Revenue from operations | 25 | 8,175.13 | 9,140.85 |
| Other income | 26 | 187.96 | 209.34 |
| Total Income | | 8,363.09 | 9,350.19 |
| Expenses | | | |
| Cost of materials consumed | 27 | 3,405.92 | 4,285.24 |
| Changes in inventories of finished goods, work-in-progress and cotton scrap | 28 | (307.97) | (264.40) |
| Employee benefits expense | 29 | 2,221.10 | 2,135.94 |
| Other expenses | 30 | 2,411.96 | 2,702.75 |
| Total expenses | | 7,731.01 | 8,859.53 |
| Earnings before interest, tax, depreciation and amortisation (EBITDA) | | 632.08 | 490.66 |
| Finance costs | 31 | 333.61 | 303.42 |
| Depreciation and amortisation expenses | 32 | 260.31 | 185.47 |
| Profit before tax | | 38.16 | 1.77 |
| Tax expense | 33 | | |
| Current tax | | (11.41) | 0.36 |
| Deferred tax | | 15.64 | 29.41 |
| Total tax expense | | 4.23 | 29.77 |
| Profit/(loss) for the year | | 33.93 | (28.00) |
| Other comprehensive income: | | | |
| Items that will not be reclassified to profit or loss: | | | |
| Remeasurement of post employment benefit obligations | | 41.01 | 1.66 |
| Income tax relating to above items | | (10.66) | (0.43) |
| Total other comprehensive income | | 30.35 | 1.23 |
| Total comprehensive income/(loss) for the year | | 64.28 | (26.77) |
| Earnings per equity share (face value of ₹ 10 per share) | 34 | | |
| Basic earnings per share (in ₹) | | 0.90 | (0.73) |
| Diluted earnings per share (in ₹) | | 0.90 | (0.73) |

The accompanying notes form an integral part of these financial statements

This is the balance sheet referred to in our report of even date.

For Walker Chandiook & Co LLP
 Chartered Accountants
 Firm Registration Number: 001076N/N500013

Rohit Arora
 Partner
 Membership No. 504774

Place: New Delhi
 Date: 06 July 2020

For and on behalf of the Board of Directors of
 H.P. Cotton Textile Mills Limited

Kailash Kumar Agarwal
 Chairman & Managing Director
 DIN: 00063470

Raghav Kumar Agarwal
 Executive Director, CEO & CFO
 DIN: 02836610

Shubham Jain
 Company Secretary
 Membership No. : 49541

Place: New Delhi
 Date: 06 July 2020

Cash flow statement for the year ended 31 March 2020

(All amounts in ₹ lacs, unless stated otherwise)

| Particulars | Year ended 31 March 2020 | Year ended 31 March 2019 |
|--|-----------------------------|-----------------------------|
| A. Cash flows from operating activities | | |
| Profit before tax | 38.16 | 1.77 |
| Adjustment for: | | |
| Depreciation and amortisation expenses | 260.31 | 185.47 |
| Liabilities no longer required written back | (32.44) | (32.31) |
| Miscellaneous balances written off | 1.67 | - |
| Loss on sale of property, plant and equipment | 0.64 | 0.76 |
| Unrealised gain on foreign exchange fluctuation | (30.41) | (2.22) |
| Interest income | (46.35) | (55.78) |
| Interest expense | 333.61 | 255.34 |
| Interest on fair valuation of deposits | (1.05) | (0.76) |
| Operating profit before working capital changes | 524.14 | 352.27 |
| Adjustments for : | | |
| (Increase) in other bank balance | - | (1.66) |
| Decrease in other non current assets | 3.81 | 23.04 |
| Decrease/(increase) in other financial assets | 39.49 | (217.76) |
| Decrease in trade receivables | 154.30 | 188.03 |
| (Increase)/decrease in other current assets | (52.86) | 197.23 |
| Decrease/(increase) in inventories | 356.54 | (544.23) |
| (Decrease)/increase in trade payables | (160.78) | 107.24 |
| (Decrease)/increase in other financial liabilities | 9.10 | 31.75 |
| Increase/(decrease) in other current liabilities | 171.53 | (135.17) |
| (Decrease) in provisions | (3.16) | (64.05) |
| Cash generated from/(used in) operating activities | 1,042.11 | (63.31) |
| Taxes paid | (4.75) | (4.62) |
| Net cash flow (used in)/generated from operating activities | 1,037.36 | (67.93) |
| B. Cash flows from investing activities | | |
| Purchase of property, plant & equipment including intangible assets, capital work-in-progress and capital advances | (84.76) | (234.71) |
| Proceeds from sale of property, plant & equipments | 1.35 | 3.51 |
| Proceeds from/(investment in) fixed deposits | 735.06 | (495.31) |
| Interest received | 75.71 | 34.70 |
| Net cash flow generated from/(used in) investing activities | 727.36 | (691.81) |
| C. Cash flows from financing activities | | |
| Repayment of long term borrowings | (745.62) | (120.69) |
| Proceeds of long term borrowings | - | 6.98 |
| Repayment/ Proceeds of short term borrowings (net) | (658.33) | 594.57 |
| Payment of principal portion of lease liability | (36.76) | - |
| Payment of interest portion of lease liability | (17.92) | - |
| Dividend paid | - | (45.93) |
| Finance charges paid | (317.73) | (251.95) |
| Net cash flow (used in)/generated from financing activities | (1,776.36) | 182.98 |

| Particulars | Year ended 31 March 2020 | Year ended 31 March 2019 |
|---|-----------------------------|-----------------------------|
| D. Net decrease in cash and cash equivalents (A+B+C) | (11.64) | (576.76) |
| E. Cash and cash equivalents as at the beginning of the year | 22.60 | 599.36 |
| F. Cash and cash equivalents as at the end of the year (D+E) | 10.96 | 22.60 |
| Components of cash and cash equivalents: | | |
| Balances with banks-in current accounts | 9.52 | 18.11 |
| Cash on hand | 1.44 | 4.49 |
| | 10.96 | 22.60 |

Reconciliation of financial liabilities arising from financing activities for the year ended 31 March 2020:

| Particulars | Interest accrued on borrowings | Non-current borrowings * | Current borrowings ** | Lease liability |
|---|--------------------------------------|-----------------------------|--------------------------|-----------------|
| Opening balance as at 1 April 2018 | 1.87 | 928.11 | 1,385.33 | - |
| Add: Loan disbursed | - | 6.98 | 594.57 | - |
| Add: Interest expenses | 255.34 | - | - | - |
| Less: Loan repaid | - | (120.69) | - | - |
| Less: Interest expenses paid | (251.95) | - | - | - |
| Closing balance as at 31 March 2019 | 5.26 | 814.40 | 1,979.90 | - |
| Add: Lease liability created under IND AS 116 | - | - | - | 188.62 |
| Add: Interest expenses | 333.61 | - | - | 17.92 |
| Less: Loan repaid | - | (745.62) | (658.33) | - |
| Less: Payment of lease liability | - | - | - | (36.76) |
| Less: Interest expenses paid | (335.65) | - | - | (17.92) |
| Closing balance as at 31 March 2020 | 3.22 | 68.78 | 1,321.57 | 151.86 |

* Includes current maturities of long-term debts.

** Inflows/outflows from current borrowings has been presented on net basis

The accompanying notes form an integral part of these financial statements

This is the balance sheet referred to in our report of even date.

For Walker Chandiook & Co LLP
Chartered Accountants
Firm Registration Number: 001076N/N500013

Rohit Arora
Partner
Membership No. 504774

Place: New Delhi
Date: 06 July 2020

For and on behalf of the Board of Directors of
H.P. Cotton Textile Mills Limited

Kailash Kumar Agarwal
Chairman & Managing Director
DIN: 00063470

Raghav Kumar Agarwal
Executive Director, CEO & CFO
DIN: 02836610

Shubham Jain
Company Secretary
Membership No. : 49541

Place: New Delhi
Date: 06 July 2020

Statement of changes in equity for the year ended 31 March 2020 (All amounts in ₹ lacs, unless stated otherwise)

| | Number of shares | Amount |
|--|------------------|---------------|
| A. Equity share capital | | |
| Balance as on 01 April 2018 | 3,810,000 | 381.00 |
| Change in equity share capital during the year | - | - |
| Balance as on 31 March 2019 | 3,810,000 | 381.00 |
| Change in equity share capital during the year | - | - |
| Balance as on 31 March 2020 | 3,810,000 | 381.00 |

B. Other equity

| Particulars | Capital reserve | General reserve | Retained earnings | Securities premium | Other comprehensive income | Total |
|--|-----------------|-----------------|-------------------|--------------------|----------------------------|-----------------|
| Balance as on 01 April 2018 | 0.11 | 784.41 | 734.37 | 0.18 | (1.68) | 1,517.39 |
| Profit for the year | - | - | (28.00) | - | - | (28.00) |
| Remeasurement of defined benefit obligations | - | - | - | - | 1.23 | 1.23 |
| Dividend paid | - | - | (38.10) | - | - | (38.10) |
| Payment of dividend distribution tax | - | - | (7.83) | - | - | (7.83) |
| Balance as at 31 March 2019 | 0.11 | 784.41 | 660.44 | 0.18 | (0.45) | 1,444.69 |
| Profit for the year | - | - | 33.93 | - | - | 33.93 |
| Remeasurement of defined benefit obligations | - | - | - | - | 41.01 | 41.01 |
| Balance as on 31 March 2020 | 0.11 | 784.41 | 694.37 | 0.18 | 40.56 | 1,519.63 |

The accompanying notes form an integral part of these financial statements

This is the balance sheet referred to in our report of even date.

For Walker Chandio & Co LLP
Chartered Accountants
Firm Registration Number: 001076N/N500013

Rohit Arora
Partner
Membership No. 504774

Place: New Delhi
Date: 06 July 2020

For and on behalf of the Board of Directors of
H.P. Cotton Textile Mills Limited

Kailash Kumar Agarwal
Chairman & Managing Director
DIN: 00063470

Raghav Kumar Agarwal
Executive Director, CEO & CFO
DIN: 02836610

Shubham Jain
Company Secretary
Membership No. : 49541

Place: New Delhi
Date: 06 July 2020

Summary of significant accounting policies and other explanatory information to the financial statements for the year ended 31 March 2020

NOTE 1: CORPORATE INFORMATION

Nature of operations

H P Cotton Textiles Mills Ltd. ('the Company') is a public company domiciled in India and is incorporated under the provisions of the Companies Act, 1956. It has its registered office at Delhi Road, V.P.O Mayar, Hisar. The Company is a leading manufacturer of cotton specialty yarns and cotton sewing threads catering to both local and export markets. The shares of the Company are currently listed at Bombay Stock Exchange.

NOTE 2. Significant accounting policies

2.1 Statement of Compliance and Basis of preparation of financial statements

(a) General information and statement of compliance with Ind AS

These financial statements have been prepared in accordance with the Indian Accounting Standards ('Ind AS') notified under section 133 of the Companies Act, 2013 ('the Act') read with Companies (Indian Accounting Standards) Rules, 2015 as amended from time to time and other pronouncements/provisions of applicable laws.

The financial statements have been prepared on accrual and going concern basis. The accounting policies have been consistently applied to all the periods presented in the financial statements except where a newly issued accounting standard is initially adopted or a revision to an existing accounting standard requires a change in the accounting policy hitherto in use.

The financial statements for the year ended 31 March 2020 were authorised and approved for issue by the Board of Directors on 06 July 2020. Revisions to financial statements, if required, is permitted by the Board of Directors subject to obtaining necessary approvals or at the instance of regulatory authorities as per provisions of the Act.

Application of new and revised Indian Accounting Standard (Ind AS)

All the Ind AS issued and notified by the Ministry of Corporate Affairs ('MCA') under the Companies (Indian Accounting Standards) Rules, 2015 (as amended) till the financial statements are authorised have been considered in preparing these financial statements.

Standards issued but not effective

Ministry of Corporate Affairs ('MCA') notifies new standards or amendments to the existing standards. However, there are no such notifications which have been issued but are not yet effective or applicable from 01 April 2020.

(b) Historical cost convention

The financial statements have been prepared on a historical cost basis, except for the following:

- 1) certain financial assets and financial liabilities that are measured at fair value; and
- 2) defined benefit plans - plan assets measured at fair value.

(c) Current and non-current classification

All assets and liabilities have been classified as current or non-current as per the Company's normal operating cycle (not exceeding twelve months) and other criteria set out in the Schedule III to the Act.

(d) Rounding of amounts

All amounts disclosed in the financial statements and notes have been rounded off to the nearest lacs with two decimal places as per the requirement of Schedule III, unless otherwise stated.

(e) Use of estimates

The estimates and judgements used in the preparation of the financial statements are continuously evaluated by the Company and are based on historical experience and various other assumptions and factors (including expectations of future events) that the Company believes to be reasonable under the existing circumstances. Differences between actual results and estimates are recognised in the period in which the results are known/materialised.

The said estimates are based on the facts and events, that existed as at the reporting date, or that occurred after that date but provide additional evidence about conditions existing as at the reporting date.

(f) Significant accounting judgments, estimates and assumptions

The preparation of financial statements in conformity with Ind AS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses and the accompanying disclosures. Uncertainty about the assumptions and estimates could result in outcomes that require material adjustment to the carrying value of assets or liabilities affected in future periods.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is included in the following notes:

Critical judgments in applying accounting policies

The key judgments, made by the management, in applying the Company's accounting policies having an effect on these financial statements are as follows:

- (i) **Recognition of deferred tax-** The extent to which deferred tax assets can be recognised is based on an assessment of the probability of the future taxable income against which the deferred tax assets can be utilised.
- (ii) **Evaluation of indicators for impairment of assets-** The evaluation of applicability of indicators of impairment of assets requires assessment of several external and internal factors which could result in deterioration of recoverable amount of the assets.
- (iii) **Recoverability of advances/receivables** – At each balance sheet date, based on historical default rates observed over expected life, the management assesses the expected credit loss on outstanding receivables and advances.
- (iv) **Provisions and contingencies-** amount of provisions and contingencies that have been recognised in accordance with Ind AS 37 Provisions, contingent liabilities and contingent assets as the evaluation of the likelihood of the contingent events requires best judgment by management regarding the probability of exposure to potential loss.

Key source of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Company has based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

- (i) **Useful lives of property, plant and equipment-** The estimated useful lives of property, plant and equipment are based on a number of factors including the effects of obsolescence, demand, competition, internal assessment of user experience and other economic factors (such as the stability of the industry and known technological advances) and the level of maintenance expenditure required to obtain the expected future cash flows from the assets. The Company reviews the useful life of property, plant and equipment at the end of each reporting date.
- (ii) **Recoverable amount of property, plant and equipment-** The recoverable amount of property plant and equipment is based on estimates and assumptions regarding in particular the expected market outlook and expected future cash flows. Any changes in these assumptions may have a material impact on the measurement of the recoverable amount and could result in impairment.
- (iii) **Post-retirement benefit plan-** Employee benefit obligation (gratuity) are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases and mortality rates. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.
- (iv) **Fair value measurement of financial instruments-** The fair values of financial assets and financial liabilities recorded in the balance sheet in respect of which quoted prices in active markets are not available are measured using valuation techniques. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. Judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

2.2 Summary of significant accounting policies

i. Property, plant and equipment

An item on property, plant and equipment is recognized as asset, if it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably.

Freehold land is carried at cost. All other items of property, plant and equipment are stated at cost less accumulated depreciation and impairment, if any. All costs including borrowing costs relating to the acquisition and installation of property, plant and equipment are capitalised.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to the statement of profit and loss during the reporting period in which they are incurred.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the statement of profit and loss.

Advances paid towards the acquisition of property, plant and equipment outstanding at each reporting date is classified as capital advances under other non-current assets and the cost of assets not put to use before such date are disclosed under 'Capital work-in-progress'.

ii. Intangible assets

Intangible assets are stated at cost less accumulated amortisation and impairment, if any. Intangible assets are amortised over their respective individual estimated useful lives on a straight-line basis, from the date that they are available for use. The estimated useful life of an identifiable intangible asset is based on a number of factors

including the effects of obsolescence, etc. The amortisation method and useful lives are reviewed periodically at each reporting date.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the statement of profit and loss. Useful life considered for calculation of amortisation for various intangible assets are as follows-

| Asset category | Estimated useful life (in years) |
|-----------------------|---|
| Software | 3-5 years |

iii. Depreciation

The Company depreciates its property, plant and equipment (PPE) over the useful life on Straight line basis in the manner prescribed in Schedule II to the Act. Management believes that useful life of assets are same as those prescribed in Schedule II to the Act. Useful life considered for calculation of depreciation for various assets class are as follows-

| Asset category | Estimated useful life (in years) |
|------------------------|---|
| Computers | 3 years |
| Furniture and fixtures | 10 years |
| Building | 30 years |
| Leasehold improvement | 3 years |
| Vehicles | 8 years |
| Plant and machinery | 15 years |
| Office equipment | 5 years |
| Server | 6 years |

The residual values are not more than 5% of the original cost of the asset. The assets residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Depreciation on additions / deletions is calculated pro-rata from the month of such addition / deletion, as the case maybe.

iv. Impairment of non-financial asset

The Company tests the assets for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or group of assets (cash-generating units). Assets that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

v. Revenue recognition

The Company derives revenues primarily from sale of manufactured cotton, specialty yarns and cotton sewing threads.

Revenue is recognised on satisfaction of performance obligation upon transfer of control of promised goods to customers in an amount that reflects the consideration the Company expects to receive in exchange for those goods. The Company, based on historical results, assess and recognise provision for sales return, if any, measured on net basis of the margin of the sale.

The Company does not expect to have any contracts where the period between the transfer of the promised goods to the customer and payment by the customer exceeds one year. As a consequence, it does not adjust any of the transaction prices for the time value of money.

The Company's performance obligation is satisfied at a point in time when the goods are dispatched to the customers.

Revenue from contracts with customers is reported net of rebates, discounts, sales tax/value added tax/goods and service tax.

Contract balances

Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Company performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

Trade receivables

A receivable represents the Company's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due). Refer to accounting policies of financial assets in section (x) Investment and other financial assets – initial recognition and subsequent measurement.

Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Company has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Company transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Company performs under the contract.

Financing component

The Company does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Company does not adjust any of the transaction prices for the time value of money.

Cost to obtain a contract with customer

The Company pays sales commission to selling agents for each contract that they obtain for sales of Company's products. Such commission are in nature of incremental cost to obtain contract with customer and the Company has elected to apply the optional practical expedient for costs to obtain a contract wherein it immediately expenses off such sales commissions because the amortisation period of the asset that the Company otherwise would have used is one year or less.

Other operating revenue- Duty drawbacks and other export incentives

Duty drawbacks and other export incentives under various schemes are recognised as revenue in the year of export when no significant uncertainty exists with respect to their recovery.

Insurance and other claims: Revenue in respect of claims is recognised when no significant uncertainties exist with regard to the amount to be realised and the ultimate collection thereof.

Interest income: Income from interest is accounted for on time proportion basis taking into account the amount outstanding and the applicable rate of interest

vi. Inventories

Inventories are valued at cost or net realisable value, whichever is lower. The cost of raw materials and stores and spares is determined using moving weighted average formula and includes cost of purchase and other cost incurred in bringing the inventory to their present location and condition.

Work-in-progress is valued at raw material cost plus conversion cost incurred on them depending upon the stage of completion based on weighted average formulae.

Cost of finished goods include raw material cost, conversion cost and packing cost incurred to bring the goods to their present location and condition.

Goods in transit are stated at cost. Net realisable value of the inventories is measured at estimated selling price of each item of inventory in the ordinary course of business less the estimated cost of completion and estimated costs necessary to make the sale.

Raw materials and stores and spares are not written down below cost if the finished product in which they will be manufactured are expected to be sold at or above cost.

vii. Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the Company
- by the weighted average number of equity shares outstanding during the financial year, adjusted for bonus elements in equity shares issued during the year and excluding treasury shares.

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after income tax effect of interest and other financing costs associated with dilutive potential equity shares, and
- the weighted average number of additional equity shares that would have been outstanding assuming the conversion of all dilutive potential equity shares.

viii. Government grants

Grants from the government are recognised at their fair value where there is reasonable assurance that the grant will be received and the Company will comply with all attached conditions.

Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred income and are credited to the statement of profit and loss on a straight – line basis over the expected lives of related assets and presented within other income.

Government grants related to revenue are recognised on a systematic basis in the statement of profit and loss over the periods necessary to match them with the related costs which they are intended to compensate. Government grant receivable as compensation for expenses or losses already incurred with no future related cost are recognised in statement of profit and loss of the period in which it becomes receivable.

ix. Dividend

Final dividends on shares are recognised as a liability on the date of approval by the shareholders and interim dividends are recognised as a liability on the date of declaration by the Company's Board of Directors.

x. Investments and other financial assets

Classification

The Company classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the Company's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in equity instruments that are not held for trading, this will depend on whether the Company has made an irrevocable election at the time of initial recognition to account for the equity investment at FVTOCI.

The Company reclassifies debt investments when and only when its business model for managing those assets changes.

Initial recognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Company commits to purchase or sale the financial asset.

Measurement

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Subsequent measurement of debt instruments depends on the Company's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Company classifies its debt instruments:

- Debt instruments at amortised cost
- Debt instruments at fair value through other comprehensive income (FVTOCI)
- Debt instruments and equity instruments at fair value through profit or loss (FVTPL)

Debt instruments at amortised cost

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/ losses. Impairment losses are presented as separate line item in the statement of profit and loss.

Debt instrument at FVTOCI

Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVTOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest

income and foreign exchange gains and losses which are recognised in profit and loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/ losses. Interest income from these financial assets is included in other income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/ losses and impairment expenses are presented as separate line item in statement of profit and loss.

Debt instrument at FVTPL

Assets that do not meet the criteria for amortised cost or FVTOCI are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss is recognised in profit or loss and presented net within other gains/ losses in the period in which it arises. Interest income from these financial assets is included in other income.

Equity instruments

The Company subsequently measures all equity investments at fair value. Where the Company's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments are recognised in profit or loss as other income when the Company's right to receive payments is established.

Changes in the fair value of financial assets at fair value through profit or loss are recognised in other gain/ losses in the statement of profit and loss. Impairment losses (and reversal of impairment losses) on equity investments measured at FVTOCI are not reported separately from other changes in fair value.

Impairment of financial assets

The Company assesses on a forward looking basis the expected credit losses associated with its assets carried at amortised cost and FVTOCI debt instruments. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Note 38 details how the Company determines whether there has been a significant increase in credit risk.

For trade receivables only, the Company applies the simplified approach required by Ind AS 109, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

De-recognition

A financial asset is derecognised only when

- The Company has transferred the rights to receive cash flows from the financial asset or
- retains the contractual rights to receive the cash flows of the financial asset but assumes a contractual obligation to pay the cash flows to one or more recipients.

Where the Company has transferred an asset, it evaluates whether it has transferred substantially all risks and rewards of ownership of the financial asset. In such cases, the financial asset is derecognised. Where the Company has not transferred substantially all risks and rewards of ownership of the financial asset, the financial asset is not derecognised.

Where the Company has neither transferred a financial asset nor retains substantially all risks and rewards of ownership of the financial asset, the financial asset is derecognised if it has not retained control of the financial asset. Where the Company retains control of the financial asset, the asset is continued to be recognised to the extent of continuing involvement in the financial asset.

Income recognition

Interest income

Interest income from financial assets at fair value through profit or loss is disclosed as interest income within other income. Interest income on financial assets at amortised cost and financial assets at FVTOCI is calculated using the effective interest method is recognised in the statement of profit and loss as part of other income.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

Dividends

Dividends are received from financial assets at fair value through profit or loss and at FVTOCI. Dividends are recognised as other income in profit or loss when the right to receive payment is established. This applies even if they are paid out of pre-acquisition profits, unless the dividend clearly represents a recovery of part of the cost of the investment.

xi. Financial liabilities

Initial recognition

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loan and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge as appropriate.

The Company's financial liabilities include trade payables, other payables, short-term and long-term borrowings.

Measurement

All financial liabilities are recognised initially at fair value and in the case of loans and borrowings and payables, net of directly attributable transaction costs.

Subsequent measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at FVTPL

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Company that are not designated as hedging instruments in hedge relationships as defined by Ind AS 109. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in the statement of profit and loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated as such at the initial date of recognition, and only if the criteria in Ind AS 109 are satisfied. For liabilities designated as FVTPL, fair value gains/ losses attributable to changes in own credit risk are recognised in OCI. These gains/ losses are not subsequently transferred to profit and loss. However, the Company may transfer the cumulative gain or loss within equity. All other changes in fair value of such liability are recognised in the statement of profit and loss. The Company has not designated any financial liability as at fair value through profit and loss.

Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption

amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other gains/ losses.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period. Where there is a breach of a material provision of a long-term loan arrangement on or before the end of the reporting period with the effect that the liability becomes payable on demand on the reporting date, the entity does not classify the liability as current, if the lender agreed, after the reporting period and before the approval of the financial statements for issue, not to demand payment as a consequence of the breach.

Trade and other payables

These amounts represent liabilities for goods and services provided to the Company prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 60-90 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

De-recognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit and loss.

xii. Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount is reported in the balance sheet where there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counterparty.

xiii. Fair value measurement of financial instruments

The Company measures financial instruments at fair value at each balance sheet date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of nature, characteristics and risks of the asset and liability and the level of the fair value hierarchy as explained above.

This note summarises accounting policy for fair value. Other fair value related disclosures are given in the relevant notes:

- Disclosure regarding significant estimates and assumptions- Note 2.1
- Quantitative disclosures of fair value measurement hierarchy- Note 2.2, paragraph xiii.
- Financial instruments (including those carried at amortised cost)- Note 2.2, paragraph x.

xiv. Provisions, contingent liabilities and contingent assets

Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

Contingent liabilities

Contingent liabilities are disclosed in respect of possible obligations that arise from past events but their existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within

the control of the Company or where any present obligation cannot be measured in terms of future outflow of resources or where a reliable estimate of the obligation cannot be made.

Contingent assets

Contingent assets are not recognised in the financial statements. Contingent assets are disclosed in the financial statements to the extent it is probable that economic benefits will flow to the Company from such assets.

xv. Borrowing cost

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

Other borrowing costs are expensed in the period in which they are incurred. Borrowing cost also includes exchange differences to the extent regarded as an adjustment to the borrowing costs.

xvi. Employees benefits

(i) **Short term employee benefits:**

Liabilities for wages and salaries, including non-monetary benefits that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled.

(ii) **Other long-term employee benefits obligations**

The liabilities for earned leave and sick leave that are not expected to be settled wholly within 12 months are measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. The benefits are discounted using the discount rates for Government Securities (G-Sec) at the end of the reporting period that have terms approximating to the terms of the related obligation. Remeasurement as a result of experience adjustments and changes in actuarial assumptions are recognised in the statement of profit and loss.

(iii) **Post-employment benefits**

The Company operates the following post-employment schemes:

- (a) defined contribution plans- provident fund; and
- (b) defined benefit plans- gratuity

(a) **Defined contribution plan**

Provident fund

The Company makes payment to statutory fund in accordance with the Employees Provident Fund and Miscellaneous Provisions Act, 1952 which is a defined contribution plan. The Company has no further payment obligations once the contributions have been paid. The contributions are accounted for as defined contribution plans and the contributions are recognised as employee benefit expense in the statement of profit and loss as and when they are due.

(b) Defined benefit plans**Gratuity**

The liability or asset recognised in the balance sheet in respect of defined benefit gratuity plan is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by actuaries using the projected unit credit method.

The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows by reference to market yields at the end of the reporting period on government bonds that have terms approximating to the terms of the related obligation.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is included in employee benefit expense in the statement of profit and loss.

Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in the period in which they occur, directly in other comprehensive income. They are included in retained earnings in the statement of changes in equity and in the balance sheet.

xvii. Foreign currency translations**(i) Functional and presentation currency**

The financial statements are presented in Indian rupee (INR), which is Company's functional and presentation currency.

ii) Transaction and balances

Transactions in foreign currencies are recognised at the prevailing exchange rates on the transaction dates. Realised gains and losses on settlement of foreign currency transactions are recognised in the statement of profit and loss.

Monetary foreign currency assets and liabilities at the year-end are translated at the year-end exchange rates and the resultant exchange differences are recognised in the statement of profit and loss.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss.

Foreign exchange differences regarded as an adjustment to borrowing costs are presented in the statement of profit and loss, within finance cost. All other foreign exchange gains/ losses are presented in the statement of profit and loss on net basis.

xviii. Income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

Deferred income tax is provided in full, using the liability method on temporary differences arising between the tax bases of assets and liabilities and their carrying amount in the financial statement. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled. Deferred tax assets are recognised for all deductible temporary differences and unused tax losses, only if, it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority.

Current tax assets and tax liabilities are off set where the Company has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in the statement of profit and loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Minimum alternate tax credit is recognised as deferred tax asset only when and to the extent there is convincing evidence that the Company will pay normal income tax during the specified period. Such asset is reviewed at each Balance Sheet date and the carrying amount of the MAT credit asset is written down to the extent there is no longer a convincing evidence to the effect that the Company will pay normal income tax during the specified period.

xix. Leases

Transition

Effective 01 April 2019, the Company has applied Ind AS 116 which replaces Ind AS 17 Leases. On inception of a contract, the Company (as a lessee) assesses whether it contains a lease. A contract is, or contains a lease when it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether: (i) the contract involves the use of an identified asset (ii) the Company has substantially all of the economic benefits from use of the asset through the period of the lease and (iii) the Company has the right to direct the use of the asset.

At the date of commencement of the lease, the Company recognises a right-of-use asset (“ROU”) and a corresponding lease liability for all lease arrangements in which it is a lessee, except for leases with a term of twelve months or less (short-term leases) and low value leases. For these short-term and low value leases, the Company recognises the lease payments as an operating expense on a straight-line basis over the term of the lease.

The right-of-use assets are initially recognised at cost, which comprises the initial amount of the lease liability adjusted for initial direct costs incurred, lease payments made at or before the commencement date, any asset restoration obligation, and less any lease incentives received. They are subsequently measured at cost less accumulated depreciation and impairment losses. Right-of-use assets are also adjusted for any re-measurement of lease liabilities. Unless the Company is reasonably certain to obtain ownership of the leased assets or renewal of the leases at the end of the lease term, recognised right-of-use assets are depreciated to a residual value over the shorter of their estimated useful life or lease term.

The lease liability is initially measured at the present value of the lease payments to be made over the lease term. In calculating the present value of lease payments, the Company uses its incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease term includes periods subject to extension options which the Company is reasonably certain to exercise and excludes the effect of early termination options where the Company is not reasonably certain that it will exercise the option. Minimum lease payments include the cost of a purchase option if the Company is reasonably certain it will purchase the underlying asset after the lease term.

Lease liabilities are re-measured with a corresponding adjustment to the related right-of-use asset if the Company changes its assessment if whether it will exercise an extension or a termination option and any lease modification.

Lease liability and ROU asset have been separately presented in the Balance Sheet and lease payments are presented as follows in the Company's statement of cash flows:

- short-term lease payments, payments for leases of low-value assets and variable lease payments that are not included in the measurement of the lease liabilities are presented within cash flows from operating activities;
- payments for the interest element and principal element of recognised lease liabilities are presented within cash flows from financing activities

xx. Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker.

xxi. Cash and cash equivalents

Cash and cash equivalent in the balance sheet comprise cash at banks and on hand and short-term deposits with an original maturity of three months or less, which are subject to an insignificant risk of changes in value.

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

xxii. Cash flow statement

The cash flow statement is prepared in accordance with the Indian Accounting Standard (Ind AS) - 7 "Statement of Cash flows" using the indirect method for operating activities.

Notes to financial statements for the year ended 31 March 2020

(All amounts in ₹ lacs, unless stated otherwise)

3. Property, plant and equipment & intangible assets

| | Property, plant and equipment | | | | | | | | Intangible assets Software | |
|--|-------------------------------|---------------|-----------------------|---------------------|------------------------|-------------------|--------------|---------------|----------------------------|---------------|
| | Freehold land | Buildings | Leasehold improvement | Plant and machinery | Furniture and fixtures | Office equipments | Computer | Vehicles | | Total |
| Gross carrying amount | | | | | | | | | | |
| As at 01 April 2018 | 20.75 | 647.09 | 15.19 | 5,065.39 | 62.11 | 68.01 | 42.02 | 269.63 | 6,190.19 | 4.29 |
| Additions | - | 0.13 | 4.75 | 98.84 | 4.27 | 29.09 | 19.81 | 8.91 | 165.80 | 1.90 |
| Disposal | - | - | - | - | - | - | - | 13.50 | 13.50 | - |
| As at 31 March 2019 | <u>20.75</u> | <u>647.22</u> | <u>19.94</u> | <u>5,164.23</u> | <u>66.38</u> | <u>97.10</u> | <u>61.83</u> | <u>265.04</u> | <u>6,342.49</u> | <u>6.19</u> |
| Additions | - | - | - | 32.63 | 1.07 | 8.72 | 5.17 | - | 47.59 | 97.49 |
| Disposal | - | - | - | - | - | - | - | 4.93 | 4.93 | - |
| As at 31 March 2020 | <u>20.75</u> | <u>647.22</u> | <u>19.94</u> | <u>5,196.86</u> | <u>67.45</u> | <u>105.82</u> | <u>67.00</u> | <u>260.11</u> | <u>6,385.15</u> | <u>103.68</u> |
| Accumulated depreciation/amortisation | | | | | | | | | | |
| As at 01 April 2018 | - | 468.78 | 0.59 | 3,300.68 | 46.54 | 38.35 | 31.22 | 131.36 | 4,017.51 | 1.57 |
| Charge for the year | - | 19.61 | 5.26 | 111.30 | 2.15 | 10.90 | 5.07 | 29.85 | 184.15 | 1.32 |
| Disposals | - | - | - | - | - | - | - | 9.23 | 9.23 | - |
| As at 31 March 2019 | <u>-</u> | <u>488.39</u> | <u>5.85</u> | <u>3,411.98</u> | <u>48.69</u> | <u>49.25</u> | <u>36.29</u> | <u>151.98</u> | <u>4,192.43</u> | <u>2.89</u> |
| Charge for the year | - | 19.58 | 6.17 | 116.47 | 2.94 | 13.42 | 8.27 | 27.86 | 194.71 | 17.40 |
| Disposals | - | - | - | - | - | - | - | 3.03 | 3.03 | - |
| As at 31 March 2020 | <u>-</u> | <u>507.97</u> | <u>12.02</u> | <u>3,528.45</u> | <u>51.63</u> | <u>62.67</u> | <u>44.56</u> | <u>176.81</u> | <u>4,384.11</u> | <u>20.29</u> |
| Carrying amount (net) | | | | | | | | | | |
| As at 31 March 2019 | <u>20.75</u> | <u>158.83</u> | <u>14.09</u> | <u>1,752.25</u> | <u>17.69</u> | <u>47.85</u> | <u>25.54</u> | <u>113.06</u> | <u>2,150.05</u> | <u>3.30</u> |
| As at 31 March 2020 | <u>20.75</u> | <u>139.25</u> | <u>7.92</u> | <u>1,668.41</u> | <u>15.82</u> | <u>43.15</u> | <u>22.44</u> | <u>83.30</u> | <u>2,001.04</u> | <u>83.39</u> |

Property, plant and equipment have been pledged as security for borrowings, for details refer note 41.

Notes to financial statements for the year ended 31 March 2020

(All amounts in ₹ lakhs, unless stated otherwise)

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|--|------------------------|------------------------|
| 4. Loans | | |
| Security deposits (unsecured, considered good) | 141.90 | 142.02 |
| | 141.90 | 142.02 |
| 5. Other non-current financial assets | | |
| Fixed deposits with more than 12 months maturity* | - | 222.64 |
| | - | 222.64 |
| *Fixed deposits with maturity of more than 12 months includes fixed deposits of ₹ Nil (previous year: ₹ 222.64 lacs) under lien for buyer's credit classified under "other financial liabilities" and presented as current maturities of long-term debts". | | |
| 6. Deferred tax assets (net) | | |
| Tax effect of items constituting deferred tax liabilities | | |
| Difference between accounting base and tax base of property, plant & equipment | 318.19 | 293.82 |
| | 318.19 | 293.82 |
| Tax effect of items constituting deferred tax assets | | |
| Unabsorbed losses/depreciation carried forward | 170.23 | 139.67 |
| Timing difference on account of expense allowable on payment basis | 110.76 | 130.68 |
| Mat credit entitlement | 60.08 | 72.65 |
| Othes | 10.66 | - |
| | 351.73 | 343.00 |
| | 33.54 | 49.18 |

Movement in deferred tax assets during year ended 31 March 2020

| Particulars | As at 31 March 2019 | Recognised in other com- prehensive income | Recognised in profit and loss | As at 31 March 2020 |
|--|---------------------------|---|----------------------------------|------------------------|
| Deferred tax assets | | | | |
| Unabsorbed losses/ depreciation carried forward | 139.67 | - | 30.56 | 170.23 |
| Timing difference on account of expense allowable on payment basis | 130.68 | (10.66) | (9.26) | 110.76 |
| MAT credit entitlement | 72.65 | - | (12.57) | 60.08 |
| Others | - | - | 10.66 | 10.66 |
| Deferred tax liability | | | | |
| Difference between accounting base and tax base of property, plant and equipment | 293.82 | - | 24.37 | 318.19 |
| Total | 49.18 | (10.66) | (15.64) | 33.54 |

Movement in deferred tax assets during year ended 31 March 2019

| Particulars | As at 31 March 2018 | Recognised in other com- prehensive income | Recognised in profit and loss | As at 31 March 2019 |
|--|---------------------------|---|----------------------------------|------------------------|
| Deferred tax assets | | | | |
| Unabsorbed losses/depreciation carried forward | 21.79 | - | 117.88 | 139.67 |
| Timing difference on account of expense allowable on payment basis | 167.91 | (0.43) | (36.80) | 130.68 |
| Mat credit entitlement | 72.29 | - | 0.36 | 72.65 |
| Deferred tax liability | | | | |
| Difference between accounting base and tax base of property, plant and equipment | 182.97 | - | 110.85 | 293.82 |
| Total | 79.02 | (0.43) | (29.41) | 49.18 |
| 7. Other non-current assets | | | | |
| Capital advances | | | 22.79 | 22.04 |
| Prepaid expenses | | | 0.14 | 4.70 |
| | | | 22.93 | 26.74 |
| 8. Inventories[^] (valued at lower of cost or net realizable value) | | | | |
| Raw material | | | 228.83 | 924.82 |
| Work-in-progress | | | 1,103.03 | 852.16 |
| Finished goods | | | 514.04 | 472.05 |
| Stores and spares | | | 250.47 | 216.12 |
| Scrap | | | 40.87 | 28.63 |
| | | | 2,137.24 | 2,493.78 |
| [^] Inventories have been pledged as security for borrowings, for details refer note 41 | | | | |
| * The Company has recorded few class of finished goods at the net realisable value (NRV), as their realisable value is lower than the cost of production. The total NRV adjustments made in the value of such products is ₹ 91.86 lacs (previous year: ₹ 3.28 lacs). This was recognised as an expense during the year and included in 'changes in inventories of finished goods' in the statement of profit and loss. | | | | |
| 9. Trade receivables | | | | |
| Considered good - secured | | | 15.46 | 43.63 |
| Considered good - unsecured | | | 592.24 | 686.00 |
| | | | 607.70 | 729.63 |
| Less: loss allowance | | | - | - |
| | | | 607.70 | 729.63 |
| The net carrying amount of trade receivables is considered a reasonable approximation of its fair value. | | | | |
| 10. Cash and cash equivalents | | | | |
| Balances with banks-in current accounts | | | 9.52 | 18.11 |
| Cash on hand | | | 1.44 | 4.49 |
| | | | 10.96 | 22.60 |

There are no repatriation restrictions with regard to cash & cash equivalents at the end of reporting period and prior period.

| Particulars | As at 31 March 2020 | As at 31 March 2019 |
|--|------------------------|------------------------|
| 11. Other bank balances | | |
| Deposits with maturity of more than 3 months but less than 12 months* | - | 579.44 |
| Interest accrued on fixed deposits | 2.90 | 30.76 |
| Unpaid dividend | 11.97 | 7.62 |
| Margin Money^ | 115.92 | 48.90 |
| | 130.79 | 666.73 |
| *Deposits with maturity of more than 3 months but less than 12 months includes fixed deposits of ₹ Nil (previous year: ₹ 579.44 lacs) under lien for buyer's credit classified under "other financial liabilities" and presented as "current maturities for long-term debts", for bank overdraft classified under "short-term borrowings". | | |
| ^Margin Money includes fixed deposits of ₹ 115.92 lacs (previous year: ₹ 48.90 lacs) pledged by the Company against letter of credit facility being availed by the Company. | | |
| 12. Other current financial assets | | |
| Insurance claim receivable | 43.01 | 43.31 |
| Dues against acquisition of land | 2.75 | 2.75 |
| Export incentives receivable | 140.25 | 226.48 |
| | 186.01 | 272.54 |
| 13. Current tax assets (net) | | |
| Advance tax (net of provision of income tax) | 50.93 | 31.66 |
| | 50.93 | 31.66 |
| 14. Other current assets | | |
| <i>(Unsecured considered good unless otherwise stated)</i> | | |
| Prepaid expenses | 32.93 | 17.71 |
| Balances with government authorities | 461.20 | 414.01 |
| Advance to suppliers | 19.18 | 21.07 |
| Other advances | 10.44 | 18.11 |
| | 523.75 | 470.90 |
| 15. Share capital | | |
| Authorised share capital | | |
| 4,250,000 (previous year: 4,250,000) equity shares of ₹10 each | 425.00 | 425.00 |
| | 425.00 | 425.00 |
| Issued, subscribed and paid up share capital | | |
| 3,810,000 (previous year: 3,810,000) equity shares of ₹10 each | 381.00 | 381.00 |
| | 381.00 | 381.00 |

a) Reconciliation of equity shares outstanding at the beginning and end of the year

| Particulars | As at 31 March 2020 | | As at 31 March 2019 | |
|--------------------------------------|---------------------|---------------|---------------------|---------------|
| | Number of shares | Amount | Number of shares | Amount |
| Balance at the beginning of the year | 3,810,000 | 381.00 | 3,810,000 | 381.00 |
| Addition/(deletion) during the year | - | - | - | - |
| Balance at the end of the year | 3,810,000 | 381.00 | 3,810,000 | 381.00 |

b) Terms/rights attached to equity shares

The Company has only one class of equity shares having a par value of ₹ 10 (previous year : ₹ 10) per share. Each holder of equity shares is entitled to one vote per share. The Company declares and pays dividend in Indian Rupees. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting.

In the event of liquidation of the Company, the holders of equity shares will be entitled to receive remaining assets of the Company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

c) Details of equity shareholders holding more than 5% shares in the Company*

| Name of the Shareholder | As at 31 March 2020 | | As at 31 March 2019 | |
|--|---------------------|-----------|---------------------|-----------|
| | Number of shares | % holding | Number of shares | % holding |
| Jainish Products Limited ** | 242,850 | 6.37% | 242,850 | 6.37% |
| Kulvinder Singh | 224,730 | 5.90% | 226,000 | 5.93% |
| Achhar Investments Limited ** | 231,900 | 6.09% | 231,900 | 6.09% |
| Sacred Trading and Investment Company Limited ** | 224,170 | 5.88% | 224,170 | 5.88% |
| Sailesh Textile Manufacturing Company Limited ** | 207,000 | 5.43% | 207,000 | 5.43% |
| Vinod Kumar Ohri | 199,996 | 5.25% | 199,996 | 5.25% |

*As per the records of the Company, including its register of shareholder/members and other declarations, if any, received from shareholders regarding beneficial interest, the above shareholding represents both legal and beneficial ownership of shares.

** The Company has received intimation dated 19 March 2019 that the Company's promoters have entered into a family agreement dated 14 March 2019, which would result in inter-se transfer of 961,900 equity shares (constituting 25.25% of the Company's total paid up capital) by and among members of the Promoter Group over next two years (collectively, the "Proposed Family Re-arrangement") and that such Proposed Family Re-arrangement shall be completed by means of causing the shares to be pledged by the transferors (belonging to the Promoter Group) in favour of the transferees (also belonging to the Promoter Group). Proposed Family Re-arrangement would also entail indirect acquisition of the shares of the Company held by certain promoter group entities. (The Proposed Family Re-arrangement shall have no impact on the "shareholding" and the degree and nature of "voting rights" of the Promoter Group in the Company shall remain unchanged following the completion of the Proposed Family Re-arrangement.)

In continuance of the above family arrangement, Mr. Ravindra Agarwal, Mr. Surendra Kumar Agarwal and Mr. Kailash Kumar Agarwal have executed another re-arrangement agreement dated 12 February 2020, which would result in an inter-se transfer of all equity shares of Mr. Ravindra Agarwal & family and Mr. Surendra Kumar Agarwal & family to Mr. Kailash Kumar Agarwal. The proposed family re-arrangement would also entail an indirect acquisition of shares of the Company held by certain entities, namely, Jainish Products Limited, Sailesh Textile Manufacturing Company Limited, Achhar Investments Limited and Sacred Trading & Investment Co. Limited, all of which belong to the Promoter Group (collectively, the and “Promoter group Companies”), by the same persons belonging to the promoter group.

- d) The Company has not issued any bonus shares, shares for consideration other than cash or bought back shares during five years immediately preceding the current financial year.

| Particulars | As at 31 March, 2020 | As at 31 March, 2019 |
|---|-------------------------|-------------------------|
| 16. Other equity | | |
| Securities premium | 0.18 | 0.18 |
| Retained earnings | 694.37 | 660.44 |
| Other comprehensive income | 40.56 | (0.45) |
| Capital reserve | 0.11 | 0.11 |
| General reserve | 784.41 | 784.41 |
| | <u>1,519.63</u> | <u>1,444.69</u> |
| (i) Securities premium* | | |
| Balance at the beginning of the year | 0.18 | 0.18 |
| Addition/(deletion) during the year | - | - |
| Balance at the end of the year | 0.18 | 0.18 |
| *Securities premium is created due to premium on issue of shares. Securities premium can be utilised by the Company in accordance with the provisions of the Companies Act, 2013. | | |
| (ii) Retained earnings | | |
| Balance at the beginning of the year | 660.44 | 734.37 |
| Add: Transferred from statement of profit & loss | 33.93 | (28.00) |
| Less: Dividend paid during the year | - | (38.10) |
| Less: Payment of dividend distribution tax | - | (7.83) |
| Balance at the end of the year | <u>694.37</u> | <u>660.44</u> |
| (iii) Other comprehensive income | | |
| Balance at the beginning of the year | (0.45) | (1.68) |
| Other comprehensive income | 41.01 | 1.23 |
| Balance at the end of the year | <u>40.56</u> | <u>(0.45)</u> |
| (iv) Capital reserve** | | |
| Balance at the beginning of the year | 0.11 | 0.11 |
| Addition/(deletion) during the year | - | - |
| Balance at the end of the year | <u>0.11</u> | <u>0.11</u> |

**Capital reserve can be utilised by the Company in accordance with the provisions of the Companies Act, 2013

(v) General reserve***

| | | |
|---------------------------------------|---------------|---------------|
| Balance at the beginning of the year | 784.41 | 784.41 |
| Addition/(deletion) during the year | - | - |
| Balance at the end of the year | 784.41 | 784.41 |

*** Under the Companies Act 1956, general reserve was created through an annual transfer of net income at a specified percentage in accordance with Companies (Transfer of profits to Reserve) Rules, 1975. Consequent to introduction of the Act, there is no such requirement to mandatorily transfer a specified percentage of the net profit to general reserve.

17. Non-current financial liabilities-borrowings

| | Non-current maturities | | Current maturities | |
|----------------------|------------------------|---------------------|---------------------|---------------------|
| | As at 31 March 2020 | As at 31 March 2019 | As at 31 March 2020 | As at 31 March 2019 |
| Secured loans | | | | |
| From banks | | | | |
| Vehicle loan | 4.27 | 5.67 | 1.50 | 10.89 |
| Term loan | 26.61 | 62.21 | 36.40 | 735.63 |
| | <u>30.88</u> | <u>67.88</u> | <u>37.90</u> | <u>746.52</u> |

(i) Details of security, terms of repayment and interest rate on the borrowings is provided below-

| Particulars | Rate of interest (%) | Terms of repayment | Security details | As at 31 March 2020 | As at 31 March 2019 |
|-------------------------------|----------------------|--------------------|---|---------------------|---------------------|
| Kotak Mahindra Prime Ltd. | 9.43% | Monthly | Hypothecation of vehicle acquired under respective loans | 0.10 | 9.58 |
| State Bank of India | 1 year MCLR +1% | Monthly | First and exclusive charge by way of hypothecation of plant & machinery & Miscellaneous fixed assets excluding factory land & building, collateral security of equitable mortgage of factory land & building situated at Hisar and personal guarantee of Mr. Kailash Kumar Agarwal, Chairman and Managing Director and Mr. Raghav Kumar Agarwal, Executive Director, CEO & CFO (Promoter/ Directors of the Company in their personal capacity). | 63.01 | 99.72 |
| State Bank of India Frankfurt | 12M EURIBOR + 0.70% | Bullet repayment | | - | 222.35 |
| State Bank of India Antwerp | 12M EURIBOR + 0.50% | Bullet repayment | | - | 93.08 |
| State Bank of India Tokyo | 12M EURIBOR + 1.29% | Bullet repayment | | - | 382.69 |
| HDFC Bank Vehicle Loan | 9.25% | Monthly | Hypothecation of vehicles acquired under respective loans | 5.67 | 6.98 |
| Total | | | | 68.78 | 814.40 |

| | As at 31 March 2019 | As at 31 March 2018 |
|--|---------------------|---------------------|
|--|---------------------|---------------------|

18. Non-current provisions

| | | |
|--|---------------|---------------|
| Provision for gratuity (refer note 39) | 195.00 | 229.27 |
| Provision for compensated absences (refer note 39) | 47.16 | 65.58 |
| | 242.16 | 294.85 |

| Particulars | As at 31 March 2020 | As at 31 March 2019 |
|---|------------------------|------------------------|
| 19. Current financial liabilities-borrowings | | |
| Secured loans | | |
| Cash credits facilities | | |
| State Bank of India | 1,321.57 | 1,723.29 |
| Bank overdraft | | |
| State Bank of India | - | 256.61 |
| | <u>1,321.57</u> | <u>1,979.90</u> |

(i) Details of security, terms of repayment and interest rate on the borrowings is provided below-

| Particulars | Rate of interest(%) | Security details | As at 31 March 2020 | As at 31 March 2021 |
|-----------------------------------|----------------------------|--|------------------------|------------------------|
| Cash credits from banks (secured) | | Hypothecation of all current assets of the Company including stocks, receivables and other current assets both present and future, first and exclusive charge by way of hypothecation of plant & machinery & Miscellaneous fixed assets excluding factory land & building, collateral security of equitable mortgage of factory land & building situated at Hisar and personal guarantee of Mr. Kailash Kumar Agarwal, Chairman and Managing Director and Mr. Raghav Kumar Agarwal, Executive Director, CEO & CFO (Promoter/ Directors of the Company in their personal capacity). | | |
| State Bank of India - loan 1 | 1 year MCLR + 1% | | 1,321.57 | 1,071.48 |
| State Bank of India - loan 2 | 1 year MCLR + 1.25% | | - | 651.81 |
| Bank Overdraft | | | | |
| State Bank of India | Ranges from 7.25% to 7.70% | | - | 256.61 |

| Particulars | As at 31 March 2020 | As at 31 March 2019 |
|-------------|------------------------|------------------------|
|-------------|------------------------|------------------------|

20. Trade payables

Trade payables:

| | | |
|--|-------|-------|
| Total outstanding dues of micro enterprises and small enterprises (refer note below) | 70.84 | 57.53 |
|--|-------|-------|

| | | |
|--|-----------------|-----------------|
| Total outstanding dues of creditors other than micro enterprises and small enterprises | <u>1,569.94</u> | <u>1,739.44</u> |
| | <u>1,640.78</u> | <u>1,796.97</u> |

Information as required to be furnished as per section 22 of the Micro, Small and Medium Enterprises Development (MSMED) Act, 2006 for the year ended 31 March 2020 is given below. This information has been determined to the extent such parties have been identified on the basis of information available with the Company.

| Particulars | | As at 31 March 2020 | As at 31 March 2019 |
|-------------|--|------------------------|------------------------|
| (a) | The principal amount remaining unpaid to any supplier at the end of the year; | 56.38 | 49.53 |
| (b) | Interest due remaining unpaid to any supplier at the end of the year | 14.46 | 8.00 |
| (c) | The amount of interest paid by the buyer in terms of section 16 of the MSMED Act, 2006 along with the amount of the payment made to the supplier beyond the appointed day during the year; | - | - |
| (d) | The amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under the MSMED Act, 2006; | - | - |
| (e) | The amount of interest accrued and remaining unpaid at the end of each accounting year; and | 14.46 | 8.00 |
| (f) | The amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues above are actually paid to the small enterprise, for the purpose of disallowance of a deductible expenditure under section 23 of the MSMED Act, 2006 | 14.46 | 8.00 |
| 21. | Other current financial liabilities | | |
| | Current maturities of long-term debts (refer note 17) | 37.90 | 746.52 |
| | Unclaimed dividend* | 11.97 | 7.62 |
| | Interest accrued but not due on borrowings | 3.22 | 5.26 |
| | Employee related payables | 164.90 | 191.43 |
| | Other payables | 61.46 | 80.51 |
| | | 279.45 | 1,031.34 |
| | * The same is not due for deposit to Investor Education and Protection Fund. | | |
| 22. | Other current liabilities | | |
| | Statutory dues payable | 64.42 | 79.87 |
| | Trade deposits | 6.98 | 6.98 |
| | Advance from customers | 258.43 | 71.45 |
| | | 329.83 | 158.30 |
| 23. | Current provisions | | |
| | Provision for bonus | 120.06 | 151.59 |
| | Provision for gratuity (refer note 39) | 43.84 | 30.55 |
| | Provision for compensated absences (refer note 39) | 19.93 | 25.61 |
| | | 183.83 | 207.75 |
| 24. | Current tax liabilities (net) | | |
| | Provision for income tax | 3.11 | - |
| | | 3.11 | - |
| 25. | Revenue from operations | | |
| | Sale of products | 7,687.49 | 8,488.57 |
| | Revenue from operations | 7,687.49 | 8,488.57 |

| Particulars | Year ended 31 March 2020 | Year ended 31 March 2019 |
|--|-----------------------------|-----------------------------|
| Sale of products comprises: | | |
| Yarn & threads | 7,726.94 | 8,529.72 |
| Less: rebate and discount | (39.45) | (41.15) |
| | 7,687.49 | 8,488.57 |
| Other operating revenue | | |
| Process waste sale | 260.48 | 322.36 |
| Other scrap sales | 14.49 | 17.25 |
| Duty drawback and other export incentives | 212.67 | 312.67 |
| | 487.64 | 652.28 |
| Revenue from operations | 8,175.13 | 9,140.85 |
| 26. Other income | | |
| Interest income on fixed deposits | 39.91 | 48.78 |
| Interest on fair valuation of security deposits | 1.05 | 0.76 |
| Interest income-others | 6.43 | 6.95 |
| Foreign exchange fluctuation gain (net) | 106.40 | 120.48 |
| Liabilities no longer payable written back | 32.44 | 32.31 |
| Miscellaneous income | 1.73 | 0.06 |
| | 187.96 | 209.34 |
| 27. Cost of materials consumed | | |
| Raw Material: | | |
| Cotton | 2,663.73 | 3,331.84 |
| Man made fibre | - | 96.37 |
| Colour and chemicals | 428.19 | 506.37 |
| Packing materials | 314.00 | 350.66 |
| | 3,405.92 | 4,285.24 |
| 28. Changes in inventories of finished goods, work-in-progress and cotton scrap | | |
| Inventories at the end of the year | | |
| Finished goods | 514.04 | 472.05 |
| Work-in-progress | 1,103.03 | 852.16 |
| Cotton scrap | 40.87 | 28.63 |
| | 1,657.94 | 1,352.84 |
| Inventories at the beginning of the year | | |
| Finished goods | 472.05 | 219.75 |
| Work-in-progress | 852.16 | 820.48 |
| Cotton scrap | 28.63 | 48.21 |
| | 1,352.84 | 1,088.44 |
| (Increase) in inventories | (307.97) | (264.40) |

| Particulars | Year ended 31 March 2020 | Year ended 31 March 2019 |
|---|-----------------------------|-----------------------------|
| 29. Employee benefits expense | | |
| Salaries and wages | 1,913.56 | 1,846.00 |
| Contributions to provident fund and other funds | 216.62 | 196.04 |
| Gratuity expenses (refer note 39) | 62.21 | 68.01 |
| Workmen and staff welfare expenses | 28.71 | 25.89 |
| | 2,221.10 | 2,135.94 |
| 30. Other expenses | | |
| Consumption of stores and spare parts | 139.58 | 169.08 |
| Power and fuel | 1,142.80 | 1,296.02 |
| Freight and forwarding | 275.28 | 322.22 |
| Water and water recycling | 95.71 | 111.77 |
| Rent including lease rentals | 32.61 | 83.50 |
| Travelling and conveyance | 68.62 | 82.44 |
| Security expenses | 93.87 | 77.96 |
| Sales commission | 43.97 | 64.25 |
| Vehicle running | 54.81 | 55.97 |
| Business promotion and advertisement | 25.88 | 50.42 |
| Electricity & water expenses | 26.84 | 15.55 |
| Repairs and maintenance - buildings | 12.84 | 32.51 |
| Repairs and maintenance - machinery | 11.69 | 22.40 |
| Repairs and maintenance - others | 4.10 | 6.86 |
| Legal and professional | 220.28 | 168.47 |
| Insurance | 37.05 | 15.50 |
| Rates and taxes | 7.51 | 7.33 |
| Communication | 16.59 | 23.59 |
| Printing and stationery | 2.37 | 11.65 |
| Loss on sale of property, plant and equipment | 0.64 | 0.76 |
| Payment to statutory auditors - Audit fee | 24.50 | 18.00 |
| - Reimbursement of expenses | 2.39 | 1.10 |
| Miscellaneous expenses | 72.03 | 65.40 |
| | 2,411.96 | 2,702.75 |
| 31. Finance costs | | |
| Interest expense - borrowings | 267.93 | 255.34 |
| Interest on lease liability | 17.92 | - |
| Interest expense - others | 1.80 | 0.80 |
| Other borrowing costs | 45.96 | 47.28 |
| | 333.61 | 303.42 |

| Particulars | Year ended 31 March 2020 | Year ended 31 March 2019 |
|---|-----------------------------|-----------------------------|
| 32. Depreciation and amortisation expenses | | |
| Depreciation on property, plant and equipment | 194.71 | 184.15 |
| Amortisation of intangible assets | 17.40 | 1.32 |
| Depreciation on right-of-use assets | 48.20 | - |
| | 260.31 | 185.47 |
| 33. Income tax | | |
| (a) Income tax expense | | |
| - Current tax | (11.41) | 0.36 |
| - Minimum alternate tax credit | 11.41 | (0.36) |
| - Deferred tax | 4.23 | 29.77 |
| Income tax expense | 4.23 | 29.77 |
| (b) Reconciliation of tax expense and the accounting profit | | |
| Profit before income tax expense | 38.16 | 1.77 |
| Statutory income tax rate | 26.00% | 26.00% |
| Amount of tax at statutory income tax rate | 9.92 | 0.46 |
| Adjustments: | | |
| Tax impact of non-deductible expense | 0.17 | 0.30 |
| Impact due to uncertain tax provisioning | - | 18.77 |
| Liabilities written off being no longer payable | - | 10.67 |
| Effect of different tax rate on certain items | (2.14) | 0.10 |
| Other differences | (3.72) | (0.53) |
| Total | (5.69) | 29.31 |
| Amount of tax at statutory income tax rate post adjustments | 4.23 | 29.77 |
| 34. Earnings per share | | |
| (Loss)/profit for the year | 33.93 | (28.00) |
| Nominal value per share (in ₹) | 10 | 10 |
| Weighted average number of equity shares for basic earnings per share | 3,810,000 | 3,810,000 |
| Weighted average number of equity shares for diluted earnings per share | 3,810,000 | 3,810,000 |
| Earnings per share (in ₹) | | |
| Basic earnings per share | 0.90 | (0.73) |
| Diluted earnings per share | 0.90 | (0.73) |
| 35. Contingent liabilities | | |
| Claim against the Company not acknowledged as debts* | 77.87 | 77.87 |
| | 77.87 | 77.87 |

* The Entry tax was imposed by the Government of Haryana but was struck down by the Hon'ble High Court of Punjab & Haryana. The Government of Haryana has gone into appeal before the Hon'ble Supreme Court of India against the judgement of Hon'ble High Court of Punjab & Haryana and the same is currently pending disposal. The management is confident that the matter shall be decided in its favour and accordingly, no adjustment is considered necessary in these financial statements.

36. Related party disclosures

In accordance with the requirements of Ind AS - 24 'Related Party Disclosures', the names of the related party where control/ability to exercise significant influence exists, along with the aggregate amount of transactions and year end balances with them as identified and certified by the management are given below:

(a) List of related parties and nature of relationship where control exists

| Key managerial personnel | Relationship |
|--|---------------------------------|
| Mr. Kailash Kumar Agarwal | Chairman & Managing Director |
| Mr. Raghav Kumar Agarwal | Executive Director, CEO and CFO |
| CS Shubham Jain (w.e.f 13 August 2019) | Company Secretary |
| CS Shashi Ranjan Kumar (Up till 27 May 2019) | Company Secretary |

Non-executive Directors

| | |
|---|----------------------|
| Mr. Bibhuti Talukdar Charan (Up till 15 September 2019) | Independent Director |
| Mr. Parshotam Dass Agarwal | Independent Director |
| Mr. Mohan Lal Jain | Independent Director |
| Ms. Ritu Bansal | Independent Director |

Relatives of key managerial personnel

| | |
|--|---------------------------------------|
| Mr. Raj Kumar Agarwal (w.e.f 05 February 2019) | Relative of Mr. Kailash Kumar Agarwal |
| Mr. Ashok Kumar Agarwal (w.e.f 05 February 2019) | Relative of Mr. Kailash Kumar Agarwal |
| Mr. Ravindra Agarwal (w.e.f 09 November 2019) | Relative of Mr. Kailash Kumar Agarwal |
| Mr. Surender Agarwal (w.e.f 09 November 2019) | Relative of Mr. Kailash Kumar Agarwal |

Persons/entities in which directors and key managerial personnel are interested

| |
|--|
| Sanjay Mercantile Pvt.Ltd. |
| Kashmiri Lal Agarwal H.U.F. |
| Jai Narain Agarwal H.U.F. |
| Achhar Investmets Ltd. |
| Atishay Investments & Finance (P) Ltd. |
| Jainish Products Ltd. |
| Sacred Trading & Investment Co. Ltd. |

Also refer note 15 (c) with respect to family agreement dated 14 March 2019 and subsequent re-arrangement agreement dated 12 February 2020 entered between the promoters.

(b) The following transactions were carried out with related parties in the ordinary course of business:-

| Nature of transaction & name of related party | 31 March 2020 | 31 March 2019 |
|---|---------------|---------------|
| Board sitting fees | | |
| Mr. Bibhuti Talukdar Charan | - | 0.40 |
| Mr. Parshotam Dass Agarwal | 1.00 | 1.00 |
| Mr. Mohan Lal Jain | 0.80 | 0.85 |
| Ms. Ritu Bansal | 0.90 | 0.75 |
| Mr. Ravindra Agarwal | 0.20 | - |
| Mr. Surendra Agarwal | 0.10 | - |

| Nature of transaction & name of related party | 31 March 2020 | 31 March 2019 |
|---|---------------|---------------|
| Salary/remuneration* | | |
| Mr. Kailash Kumar Agarwal | 24.57 | 22.28 |
| Mr. Raghav Kumar Agarwal | 17.81 | 15.78 |
| CS Shubham Jain (from 13 August 2019) | 3.22 | - |
| CS Shashi Ranjan Kumar (up till 27 May 2019) | 1.94 | 10.78 |
| *Break-up of key managerial personnel remuneration | | |
| Short-term employee benefits | 47.54 | 86.26 |
| Post-employment benefits | - | - |
| Long-term employee benefits# | - | - |
| Termination benefits | - | - |
| #As the liability for gratuity and leave encashment are provided on actuarial basis for the Company, as a whole, amounts accrued pertaining to key management personnel are not included above. | | |
| Professional fees to relatives of key managerial personnel | | |
| Mr. Raj Kumar Agarwal | 19.20 | 2.88 |
| Mr. Ashok Kumar Agarwal | 21.55 | 2.88 |
| Mr. Ravindra Agarwal | 16.28 | - |
| Mr. Surender Agarwal | 16.06 | - |
| Details of lease rentals paid: | | |
| Sanjay Mercantile Pvt. Ltd. | 1.50 | 1.50 |
| Kashmiri Lal Agarwal H.U.F. | 0.55 | 0.60 |
| Jai Narain Agarwal H.U.F. | 0.14 | 0.15 |
| Mr. Kailash Kumar Agarwal | 0.07 | - |

c) Balances outstanding with related parties at the year end

| Nature of outstanding & name of related party | 31 March 2020 | 31 March 2019 |
|---|---------------|---------------|
| Salary/remuneration payable | | |
| Mr. Kailash Kumar Agarwal | 0.15 | 1.85 |
| Mr. Raghav Kumar Agarwal | 0.18 | 1.85 |
| CS Shubham Jain (from 13 August 2019) | 0.10 | - |
| Professional fees payable | | |
| Mr. Raj Kumar Agarwal | 1.44 | 2.59 |
| Mr. Ashok Kumar Agarwal | 1.44 | 2.59 |
| Mr. Ravindra Agarwal | 1.20 | - |
| Mr. Surender Agarwal | 1.44 | - |

Outstanding personal guarantee by Mr. Kailash Kumar Agarwal and Mr. Raghav Kumar Agarwal (previous year: by Mr. Kailash Kumar Agarwal, Mr. Raj Kumar Agarwal and Mr. Ashok Kumar Agarwal) against various credit facilities availed by the Company and the balance of such facilities as at 31 March 2020 being ₹ 1,761.84 lacs (previous year: ₹ 2,777.74 lacs), sanctioned limit of such credit facilities: ₹ 2,153.00 lacs (previous year: ₹ 3,730.00 lacs).

37. Fair value measurements**(i) Financial instruments by category**

| | 31 March 2020 | | | | 31 March 2019 | | | |
|------------------------------------|---------------|----------|-----------------|-----------------|---------------|----------|-----------------|-----------------|
| | FVTPL | FVTOCI | Amortised cost | Total | FVTPL | FVTOCI | Amortised cost | Total |
| Financial assets | | | | | | | | |
| Loans-security deposits | - | - | 141.90 | 141.90 | - | - | 142.02 | 142.02 |
| Other financial assets | - | - | 186.01 | 186.01 | - | - | 495.18 | 495.18 |
| Trade receivables | - | - | 607.70 | 607.70 | - | - | 729.63 | 729.63 |
| Cash and cash equivalents | - | - | 10.96 | 10.96 | - | - | 22.60 | 22.60 |
| Other bank balances | - | - | 130.79 | 130.79 | - | - | 666.73 | 666.73 |
| Total financial assets | - | - | 1,077.36 | 1,077.36 | - | - | 2,056.16 | 2,056.16 |
| Financial liabilities | | | | | | | | |
| Borrowings | - | - | 1,390.35 | 1,390.35 | - | - | 2,794.31 | 2,794.31 |
| Lease liability | - | - | 151.86 | 151.86 | - | - | - | - |
| Trade payables | - | - | 1,640.78 | 1,640.78 | - | - | 1,796.97 | 1,796.97 |
| Other financial liabilities | - | - | 241.56 | 241.56 | 32.85 | - | 251.96 | 284.81 |
| Total financial liabilities | - | - | 3,424.54 | 3,424.54 | 32.85 | - | 4,843.24 | 4,876.09 |

(ii) Fair value hierarchy

Financial assets and liabilities measured at amortised cost for which fair values are disclosed

| | 31 March 2020 | | | | 31 March 2019 | | | |
|------------------------------------|---------------|----------|-----------------|-----------------|---------------|--------------|-----------------|-----------------|
| | Level 1 | Level 2 | Level 3 | Total | Level 1 | Level 2 | Level 3 | Total |
| Financial assets | | | | | | | | |
| Loans-security deposits | - | - | 141.90 | 141.90 | - | - | 142.02 | 142.02 |
| Other financial assets | - | - | 186.01 | 186.01 | - | - | 495.18 | 495.18 |
| Trade receivables | - | - | 607.70 | 607.70 | - | - | 729.63 | 729.63 |
| Cash and cash equivalents | - | - | 10.96 | 10.96 | - | - | 22.60 | 22.60 |
| Other bank balances | - | - | 130.79 | 130.79 | - | - | 666.73 | 666.73 |
| Total financial assets | - | - | 1,077.36 | 1,077.36 | - | - | 2,056.16 | 2,056.16 |
| Financial liabilities | | | | | | | | |
| Borrowings | - | - | 1,390.35 | 1,390.35 | - | - | 2,794.31 | 2,794.31 |
| Lease liability | - | - | 151.86 | 151.86 | - | - | - | - |
| Trade payables | - | - | 1,640.78 | 1,640.78 | - | - | 1,796.97 | 1,796.97 |
| Other financial liabilities | - | - | 241.56 | 241.56 | - | 32.85 | 251.96 | 284.81 |
| Total financial liabilities | - | - | 3,424.54 | 3,424.54 | - | 32.85 | 4,843.24 | 4,876.09 |

Financial assets and financial liabilities measured at fair value in the statement of financial position are grouped into three levels of a fair value hierarchy. The three levels are defined based on the observability of significant inputs to the measurement, as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: The fair value of financial instruments that are not traded in an active market is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity specific estimates;

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

During the year, there were no transfers between level 1 and level 2, and no transfers into and out of level 3 fair value measurements.

The Company's policy is to recognise transfers into and transfer out of fair value hierarchy levels as at the end of reporting period.

(iii) Specific valuation techniques used to value financial instruments include the use of quoted market prices and NAV of the instrument.

(iv) **Fair value of financial assets and liabilities measured at amortised cost.**

| | 31 March 2020 | | 31 March 2019 | |
|-------------------------|-----------------|------------|-----------------|------------|
| | Carrying amount | Fair Value | Carrying amount | Fair Value |
| Financial assets | | | | |
| Loans | | | | |
| Security deposits | 143.69 | 141.90 | 145.11 | 142.02 |

The carrying amount of trade receivables, other financial assets, trade payables, other financial liabilities, borrowings and cash and cash equivalents are considered to be the same as their fair values, due to their short-term nature.

The fair values for security deposits were calculated based on cash flows discounted using the current lending rate. They are classified as level 3 fair values in the fair value hierarchy due to the inclusion of unobservable inputs including counterparty credit risk.

38. Financial instruments

A. Capital risk management

The Company's objective when managing capital are to

- safeguard their ability to continue as a going concern, so they can continue to provide returns for shareholders and benefits for other stakeholders, and
- maintain an optimal capital structure to reduce the cost of capital, in order to maintain capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Management assesses the Company's capital requirements in order to maintain an efficient overall financing structure while avoiding excessive leverage. This takes into account the subordination levels of the Company's various classes of debt. The Company manages the capital structure and makes adjustments to it in the light of changes in the economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt."

The Company monitors capital on the basis of net debts to total equity on a periodic basis. The following table summarizes the capital of the Company:

| | As at 31 March 2020 | As at 31 March 2019 |
|---|---------------------|---------------------|
| (a) Particulars | | |
| Long term borrowings (including current maturities) | 68.78 | 814.40 |
| Short term borrowings | 1,321.57 | 1,979.90 |
| Total debt | 1,390.35 | 2,794.30 |
| Less: cash and cash equivalent | 10.96 | 22.60 |
| Net debt | 1,379.39 | 2,771.70 |
| Equity share capital | 381.00 | 381.00 |
| Other equity | 1,519.63 | 1,444.69 |
| Total equity | 1,900.63 | 1,825.69 |
| Net debt to equity ratio | 0.73 | 1.52 |
| (b) Dividends | | |
| (i) Equity shares | | |
| Final dividend for the year ended 31 March 2018 of ₹ nil per share | - | 38.10 |
| Dividend distribution tax on final dividend for the year ended 31 March 2018 | - | 7.83 |

B. Financial risk management

Financial risk management objectives and policies

“The Company’s principal financial liabilities comprise borrowings, lease liability, trade payables, employee related payables and other payables. The main purpose of these financial liabilities is to finance the Company’s operations. The Company’s principal financial assets include cash and cash equivalents, other bank balances, security deposits and export incentives receivable that derive directly from its operations.

The Company is exposed to market risk, credit risk and liquidity risk. The Company’s senior management oversees the management of these risks. The management is responsible for formulating an appropriate financial risk governance framework for the Company and for periodically reviewing the same. The senior management ensures that financial risks are identified, measured and managed in accordance with the Company’s policies and risk objectives.

(I) Market risk :

Market risk is the risk of loss of future earnings, fair values or future cash flows that may result from a change in the price of a financial instrument. The value of a financial instrument may change as a result of changes in the interest rates, foreign currency exchange rates, equity prices and other market changes that affect market risk sensitive instruments. Market risk is attributable to all market risk sensitive financial instruments including investments and deposits, foreign currency receivables, payables and loans and borrowings.

The Company manages market risk through a treasury department, which evaluates and exercises independent control over the entire process of market risk management. The treasury department recommend risk management objectives and policies, which are approved by Senior Management and the Audit Committee. The activities of this department include management of cash resources,

implementing hedging strategies for foreign currency exposures like foreign exchange forward contracts, borrowing strategies and ensuring compliance with market risk limits and policies.”

(i) Interest rate risk :

(a) Liabilities

The Company’s policy is to minimise interest rate cash flow risk exposures on long-term financing. At 31 March 2020, the Company is exposed to changes in market interest rates through bank borrowings at variable interest rates.

Interest rate risk exposure

Below is the overall exposure of the Company to interest rate risk:

| Particulars | 31 March 2020 | 31 March 2019 |
|---|-----------------|-----------------|
| Variable rate borrowings | 1,384.58 | 2,521.13 |
| Fixed rate borrowings* | 5.77 | 273.17 |
| Total borrowings | 1,390.35 | 2,794.30 |
| Amount disclosed under other current financial liabilities | 37.90 | 746.52 |
| Amount disclosed under borrowings | 1,352.45 | 2,047.78 |

*For fixed rate borrowing, the management has assessed that their fair value is almost equivalent to their carrying amounts, largely due to the rate of interest of these instruments, which is approximately equal to market rate of interest for the Company and being entire loan taken from third party.

Sensitivity

Below is the sensitivity of profit or loss and equity changes in interest rates

| Particulars | 31 March 2020 | 31 March 2019 |
|--|---------------|---------------|
| Interest sensitivity* | | |
| Interest rates – increase by 5 percent | 69.23 | 126.06 |
| Interest rates – decrease by 5 percent | (69.23) | (126.06) |

*Holding all other variables constant

(b) Assets

The Company’s fixed deposits are carried at fixed rate. Therefore not subject to interest rate risk as defined in Ind AS 107, since neither the carrying amount nor the future cash flows will fluctuate because of a change in market interest rates.

(ii) Foreign currency risk

The Company operates internationally and portion of the business is transacted in several currencies and consequently the Company is exposed to foreign exchange risk through its sales in overseas markets in various foreign currencies and through foreign currency loans. Foreign currency exchange rate exposure is balanced by hedging through forward contracts.

Derivative instruments

Derivative contracts outstanding

| | As at 31 March 2020 | | | As at 31 March 2019 | | |
|--------------------------|---------------------|---------------------------|--------------|---------------------|---------------------------|--------------|
| | Foreign Currency | Amount (foreign currency) | Amount (INR) | Foreign Currency | Amount (foreign currency) | Amount (INR) |
| Forward contract to buy | EURO | - | - | EURO | 9.00 | 698.13 |
| Forward contract to sell | EURO | 0.70 | 56.23 | EURO | - | - |
| Forward contract to sell | USD | 1.92 | 139.29 | USD | - | - |

Derivative financial instruments such as foreign exchange forward contracts are used for hedging purposes and not as trading or speculative instruments.

Particulars of unhedged foreign currency risk exposure expressed in INR at the reporting date

| | As at 31 March 2020 | | | As at 31 March 2019 | | |
|------------------------------|---------------------|---------------------------|--------------|---------------------|---------------------------|--------------|
| | Foreign Currency | Amount (foreign currency) | Amount (INR) | Foreign Currency | Amount (foreign currency) | Amount (INR) |
| Financial assets | | | | | | |
| Trade receivables | USD | 3.65 | 280.40 | USD | 5.72 | 396.08 |
| | EURO | 1.45 | 122.73 | EURO | 3.15 | 244.80 |
| | GBP | - | - | GBP | 0.06 | 5.14 |
| Financial liabilities | | | | | | |
| Trade payables | USD | 0.31 | 20.42 | USD | - | - |
| | EURO | 0.18 | 13.09 | EURO | - | - |
| | GBP | 0.02 | 1.79 | GBP | - | - |

Sensitivity analysis

The sensitivity of profit or loss to changes in exchange rates arises mainly from foreign currency denominated financial instruments.

| | As at 31 March 2020 | As at 31 March 2019 |
|--|---------------------|---------------------|
| USD sensitivity | | |
| ₹/USD- increase by 5.45% (previous year:- 6.82%)* | 11.28 | 21.51 |
| ₹/USD- decrease by 5.45% (previous year:- 6.82%)* | (11.28) | (21.51) |
| EURO sensitivity | | |
| ₹/EURO- increase by 7.57% (previous year:- 7.26%)* | 6.61 | 14.15 |
| ₹/EURO- decrease by 7.57% (previous year:- 7.26%)* | (6.61) | (14.15) |
| GBP sensitivity | | |
| ₹/GBP- increase by 10.26% (previous year:- 8.82%)* | (0.15) | 0.36 |
| ₹/GBP- decrease by 10.26% (previous year:- 8.82%)* | 0.15 | (0.36) |

* Holding all other variables constant

(II) Credit Risk:

Credit risk arises from the possibility that the counter party may not be able to settle their obligations as agreed. To manage this, the Company periodically assesses financial reliability of customers and other counter parties, taking into account the financial condition, current economic trends, and analysis of historical bad debts and ageing of financial assets. Individual risk limits are set and periodically reviewed on the basis of such information.

The Company considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis through each reporting period. To assess whether there is a significant increase in credit risk the Company compares the risk of default occurring on asset as at the reporting date with the risk of default as at the date of initial recognition. It considers reasonable and supportive forwarding-looking information such as:

- i) Actual or expected significant adverse changes in business,
- ii) Actual or expected significant changes in the operating results of the counterparty,
- iii) Financial or economic conditions that are expected to cause a significant change to the counterparty's ability to meet its obligations,
- iv) Significant increase in credit risk on other financial instruments of the same counterparty,
- v) Significant changes in the value of the collateral supporting the obligation or in the quality of the third-party guarantees or credit enhancements.

Financial assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Company. Where loans or receivables have been written off, the Company continues to engage in enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognised as income in the statement of profit and loss. The Company measures the expected credit loss of trade receivables and loan from individual customers based on historical trend, industry practices and the business environment in which the entity operates. Loss rates are based on actual credit loss experience and past trends. Based on the historical data, loss on collection of receivable is not material hence no additional provision considered.

The Company's maximum exposure to the credit risk at the reporting date is primarily from trade receivables which are typically unsecured. The credit limit of each customer is defined in accordance with the assessment. Outstanding customer receivables are regularly monitored by the management.

Detail of trade receivables that are past due is given below:

| | As at 31 March 2020 | As at 31 March 2019 |
|-----------------------------|---------------------|---------------------|
| 0-90 days past due | 448.78 | 676.84 |
| 91-180 days past due | 127.11 | 50.59 |
| More than 180 days past due | 31.81 | 2.20 |
| Total | 607.70 | 729.63 |

The credit risk for cash and cash equivalents, bank deposits and loans is considered negligible, since the counterparties are reputable organisations with high quality external credit ratings.

Concentration of financial assets

Concentration of credit risk with respect to trade receivables are limited, due to the Company's consumer base being large and diverse. All trade receivable are reviewed and assessed for default on a quarterly basis.

The Company's exposure to credit risk for trade receivables is presented below:

| | As at 31 March 2020 | As at 31 March 2019 |
|------------------------------|---------------------|---------------------|
| Export wholesale customers | 598.65 | 646.02 |
| Domestic wholesale customers | 9.05 | 83.61 |
| Total | 607.70 | 729.63 |

Liquidity Risk :

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities and the availability of funding through an adequate amount of committed credit facilities to meet obligations when due and to close out market positions. Due to the dynamic nature of the underlying businesses, Company treasury maintains flexibility in funding by maintaining availability under committed credit lines. Management monitors rolling forecasts of the Company's liquidity position (comprising the undrawn borrowing facilities) and cash and cash equivalents on the basis of expected cash flows.

The table below summarises the maturity profile (remaining period of contractual maturity at the balance sheet date) of the Company's financial liabilities based on contractual undiscounted cash flows:

| | Less than 1 year | 1-5 Year | Total |
|-----------------------------------|------------------|----------|----------|
| As at 31 March 2020 | | | |
| Borrowings | 1,366.86 | 33.85 | 1,400.70 |
| Trade payables and other accruals | 1,882.33 | - | 1,882.33 |
| Lease liability | 62.10 | 119.03 | 181.13 |
| As at 31 March 2019 | | | |
| Borrowings | 2,741.16 | 78.23 | 2,819.39 |
| Trade payables and other accruals | 2,081.79 | - | 2,081.79 |

Undrawn borrowing facilities

The Company had access to the following undrawn borrowing facilities at the end of the reporting period:

| | As at 31 March 2020 | As at 31 March 2019 |
|---|---------------------|---------------------|
| Expiring within one year (cash credit and other facilities) | 391.17 | 505.90 |

39. Employee benefits

| Employee benefit obligations | 31 March 2020 | | | 31 March 2019 | | |
|---|---------------|---------------|---------------|---------------|---------------|---------------|
| | Current | Non-current | Total | Current | Non-current | Total |
| Gratuity | 43.84 | 195.00 | 238.84 | 30.55 | 229.27 | 259.82 |
| Compensated absences | 19.93 | 47.16 | 67.09 | 25.61 | 65.58 | 91.19 |
| Total employee benefit obligations | 63.77 | 242.16 | 305.93 | 56.16 | 294.85 | 351.01 |

Contribution to provident fund

The Company makes contribution to statutory provident fund and employee state insurance. These are post-employment benefits and are in nature of defined contribution plans. Contribution made by the Company during the year is ₹ 211.51 lacs (previous year: ₹ 191.65 lacs).

Gratuity

The Company provides for gratuity for employees in India as per the Payment of Gratuity Act, 1972. Employees who are in continuous service for a period of 5 years are eligible for gratuity. The amount of gratuity payable on retirement/termination is the employees last drawn basic salary per month computed proportionately for 15 days salary multiplied for the number of years of service. The gratuity plan is a unfunded plan.

(a) Disclosure of gratuity

The amount recognised in the balance sheet and the movements in the net defined benefit obligation over the year are as follows:

| Particulars | Amount |
|--|----------------|
| Balance as at 1 April 201 | 264.96 |
| Current service cost | 47.53 |
| Interest expense | 20.48 |
| Total amount recognised in profit or loss | 68.01 |
| Remeasurements | |
| (Gain)/loss from change in financial assumptions | 1.68 |
| (Gain)/loss arising from experience (gains)/losses | (3.34) |
| Total amount recognised in other comprehensive income | (1.66) |
| Benefits paid | (71.49) |
| Balance as at 31 March 2019 | 259.82 |
| Balance as at 1 April 2019 | 259.82 |
| Current service cost | 42.29 |
| Interest expense | 19.92 |
| Total amount recognised in profit or loss | 62.21 |
| Remeasurements | |
| Actuarial (Gain)/Loss on arising from Change in Demographic Assumption | 5.36 |
| (Gain)/loss from change in financial assumptions | (49.41) |
| (Gain)/loss arising from experience (gains)/losses | 3.04 |
| Total amount recognised in other comprehensive income | (41.01) |
| Benefits paid | (42.18) |
| Balance as at 31 March 2020 | 238.84 |

(b) Assumptions:**1. Economic assumptions**

The principal assumptions are the discount rate and salary growth rate. The discount rate is based upon the market yields available on Government bonds at the accounting date relevant to currency of benefit payments for a term that matches the liabilities. Salary growth rate is Company's long term best estimate as to salary increases and takes into account inflation, seniority, promotion, business plan, HR policy and other relevant factors on long term basis as provided in relevant accounting standard.

| | As at 31 March 2020 | As at 31 March 2019 |
|--|---------------------|---------------------|
| Discount rate | 6.80% | 7.66% |
| Salary growth rate | 3.00% | 6.00% |
| Average remaining working life (years) | 21.33 | 19.80 |

2. Demographic assumptions

Attrition rates are the Company's best estimate of employee turnover in future determined considering factors such as nature of business and industry, retention policy, demand and supply in employment market, standing of the Company, business plan, HR Policy as provided in the relevant accounting standard. Attrition rates used for valuation are given below:

| | As at 31 March 2020 | As at 31 March 2019 |
|-------------------------------|---------------------------|---------------------------|
| Retirement age | 58 | 58 |
| Withdrawal rate, based on age | | |
| Upto 30 years | 20.00% | 3.00% |
| From 31 to 44 years | 10.00% | 2.00% |
| Above 44 years | 5.00% | 1.00% |
| Mortality rate | 100% of IALM (2012-14) | 100% of IALM (2006-08) |

(c) Sensitivity analysis

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below.

| | As at 31 March 2020 | As at 31 March 2019 |
|--|---------------------|---------------------|
| i) Impact of the change in discount rate | | |
| Present value of Obligation at the end of the period | 238.84 | 259.82 |
| Impact due to increase of 0.50% | (6.79) | (12.04) |
| Impact due to decrease of 0.50% | 7.19 | 13.06 |
| ii) Impact of the change in salary increase | | |
| Present value of Obligation at the end of the period | 238.84 | 259.82 |
| Impact due to increase of 0.50% | 7.43 | 13.21 |
| Impact due to decrease of 0.50% | (7.07) | (12.27) |

Sensitivities due to mortality & withdrawals are not material & hence impact of change due to these are not calculated. Sensitivities as rate of increase of pensions in payment, rate of increase of pensions before retirement & life expectancy are not applicable.

(d) The expected expense of the Company during the next year is ₹ 64.60 lacs (previous year: ₹ 78.53 lacs).

(e) The maturity analysis of the defined benefit obligation is as below:

| | As at 31 March 2020 | As at 31 March 2019 |
|--------------------------------|---------------------|---------------------|
| Within next 1 year | 43.84 | 30.55 |
| Between 1 to 5 years | 64.68 | 35.73 |
| After 5 years | 130.32 | 193.54 |
| Total expected payments | 238.84 | 259.82 |

(f) The average duration of the defined benefit plan obligation at the end of the reporting period is 7.89 years (previous year: 15.61 years).

40. Operating Segments

The business activity of the Company fall within the single primary business segment viz Textile (spinning). Hence there is no other reportable business segment as per Ind AS 108 "Operating segments". The segment assets, segment liabilities, segment cash flows and segment results are represented through financial statements only. The Company's Board of Directors uses additional analysis based on sales location which is presented below:

| | 31 March 2020 | 31 March 2019 |
|--------------------------------|-----------------|-----------------|
| Revenue from operations | | |
| India | 1,467.84 | 1,696.83 |
| Japan | 1,089.25 | 1,109.91 |
| USA | 905.77 | 722.12 |
| Others | 4,224.63 | 4,959.71 |
| | 7,687.49 | 8,488.57 |

The Company does not have any non-current assets, as defined in Ind AS 108, which is located outside India.

41. Assets pledged as security

The carrying amounts of asset pledged as security for current and non-current borrowings are:

| | 31 March 2020 | 31 March 2019 |
|---|-----------------|-----------------|
| Current | | |
| Financial assets | | |
| i) Trade receivables | 607.70 | 729.63 |
| ii) Cash and cash equivalent | 10.96 | 22.60 |
| iii) Bank balances other than (ii) above | 130.79 | 666.73 |
| iv) Other financial assets | 186.01 | 272.54 |
| Non-financial assets | | |
| i) Inventories | 2,137.24 | 2,493.78 |
| ii) Other current assets | 523.75 | 470.90 |
| Total current assets pledged as security | 3,596.44 | 4,656.18 |

Non-current**Non-financial assets**

| | | |
|---|-----------------|-----------------|
| i) Property, plant and equipment | 2,001.04 | 2,150.06 |
| Total non-current assets pledged as security | 2,001.04 | 2,150.06 |
| Total assets pledged as security | 5,597.48 | 6,806.24 |

42. Foreign Exchange earning and expenditure

| Particulars | For the year ended 31 March 2020 | For the year ended 31 March 2019 |
|----------------------------------|-------------------------------------|-------------------------------------|
| FOB value of exports | 6,131.18 | 6,687.10 |
| | 6,131.18 | 6,687.10 |
| CIF value of imports: | | |
| Packing Material | 2.03 | - |
| Components, stores & spare parts | - | 2.22 |
| Capital goods | - | 31.43 |
| Total | 2.03 | 33.65 |

43. Expenditure in foreign currency

| Particulars | For the year ended 31 March 2020 | For the year ended 31 March 2019 |
|--------------------------------------|-------------------------------------|-------------------------------------|
| Travelling and conveyance | 9.87 | 18.30 |
| Sales commission | 41.79 | 66.35 |
| Business promotion and advertisement | 2.11 | 6.24 |
| Miscellaneous expenses | - | 13.24 |
| Total | 53.77 | 104.13 |

44. Company's foreign currency exposure:

| | 31 March 2020 | | 31 March 2019 | |
|--------------------------|---------------------|--------|---------------------|--------|
| | In foreign currency | In INR | In foreign currency | In INR |
| Unhedged | | | | |
| Trade receivables | | | | |
| USD | 0.31 | 20.42 | - | - |
| GBP | 0.02 | 1.79 | - | - |
| EURO | 0.18 | 13.09 | - | - |
| Trade receivables | | | | |
| USD | 3.65 | 280.40 | 5.72 | 396.08 |
| EURO | 1.45 | 122.73 | 3.15 | 244.80 |
| GBP | - | - | 0.06 | 5.14 |

Hedged**Trade receivables**

| | | | | |
|------|------|--------|---|---|
| EURO | 0.70 | 56.23 | - | - |
| USD | 1.92 | 139.29 | - | - |

Borrowings

| | | | | |
|------|---|---|------|--------|
| EURO | - | - | 9.00 | 698.13 |
|------|---|---|------|--------|

45. Corporate social responsibility

The provisions of section 135 of the Companies Act, 2013 regarding Corporate Social Responsibility are not attracted to the Company, as the Company does not fall under the threshold limit of net worth of ₹ 500 crore or turnover of ₹ 1,000 crores or a net profit of ₹ 5 crore during the preceeding financial year.

46. Leases

The Company has adopted Ind AS 116 'Leases' from 01 April 2019, which has resulted in change in accounting policies in the financial statements.

Ind AS 116 'Leases' replaces Ind AS 17 'Leases' along with three Interpretations (Appendix A 'Operating Leases-Incentives', Appendix B 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease' and Appendix C 'Determining whether an Arrangement contains a Lease'). The Company has used the 'Modified prospective Approach' for transitioning to Ind AS 116. Accordingly, comparatives for the year ended 31 March 2019 have not been retrospectively adjusted.

For contracts in place at the date of initial application, the Company has elected to apply the definition of a lease from Ind AS 17 and Appendix C and has not applied Ind AS 116 to arrangements that were previously not identified as lease under Ind AS 17 and Appendix C.

On adoption of Ind AS 116, the Company recognised lease liabilities and right-of-use assets in relation to leases which had previously been classified as 'operating leases' under the principles of Ind AS 17 "Leases", except for those identified as low-value or having a remaining lease term of less than 12 months from the date of initial application. On transition, for leases previously accounted for as operating leases with a remaining lease term of less than 12 months and for leases of low-value assets the Company has applied the optional exemptions to not recognise right-of-use assets but to account for the lease expense on a straightline basis over the remaining lease term.

Lease liabilities are measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 01 April 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 April 2019 was 9.50%.

The following is the summary of practical expedients elected on initial application:

- Applied a single discount rate to a portfolio of leases of similar assets in similar economic environment with a similar end date
- Applied the exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months of lease term on the date of initial application
- Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application.
- Ind AS 116 is applied only to contracts that were previously identified as leases under Ind AS 17

The Company has taken immovable properties on lease which are generally long term in nature with varying terms, escalation clauses and renewal rights expiring within three to six years. On renewal, the terms of the leases are renegotiated.

- ii. The following is a reconciliation of total operating lease commitments at 31 March 2019 (as disclosed in the financial statements for 31 March 2019) to the lease liabilities recognised at 01 April 2019:

| Particulars | Amount |
|--|---------------|
| Total operating lease commitments disclosed as at 31 March 2019 | 64.61 |
| Recognition exemptions: | |
| • Leases with remaining lease term of less than 12 months | 15.11 |
| Reasonably certain extension options taken | 186.30 |
| Operating lease liabilities before discounting | 235.80 |
| Discounted using incremental borrowing rate | 47.18 |
| Total lease liabilities recognised under Ind AS 116 as at 01 April 2019 | 188.62 |

- iii. **Lease liabilities are presented in the balance sheet as follows:**

| Particulars | As at 31 March 2020 |
|--------------|---------------------|
| Current | 47.67 |
| Non-current | 104.19 |
| Total | 151.86 |

The maturity analysis of lease liabilities are disclosed in note 38.

- iv. **The recognised right-of-use assets relate to corporate office as at 31 March 2020.**

| Particulars | Amount |
|---|---------------|
| Right-of-use assets- corporate office | |
| Balance as at 01 April 2019 (on account of initial application of Ind AS 116) | 188.62 |
| Add: security deposit paid towards lease | 13.50 |
| Less: amortisation expense charged on the right-of-use assets | 48.20 |
| Balance as at 31 March 2020 | 153.92 |

- v. **The following are amounts recognised in statement of profit and loss:**

| Particulars | Year ended 31 March 2020 |
|---|-----------------------------|
| Amortisation expense of right-of-use assets | 48.20 |
| Interest expense on lease liabilities | 17.92 |
| Rent expense | 32.61 |
| Total | 98.73 |

- vi. **Lease payments not recognised as a liability**

| Particulars | Year ended 31 March 2020 |
|---|-----------------------------|
| Expenses relating to short term leases (included in other expenses) | 32.61 |
| Total | 32.61 |

- vii) At 31 March 2020, the Company was committed to short-term leases and the total commitment at that date was ₹ 31.28 lacs.
- viii) Total cash outflow for leases for the year ended 31 March 2020 was ₹ 54.68 lacs.
- ix) The table below describes the nature of the Company's leasing activities by type of right-of-use asset recognised on balance sheet:

| Right-of-use asset | No of right-of-use assets leased | Range of remaining term (in years) | Average remaining lease term (in years) |
|--------------------|----------------------------------|------------------------------------|---|
| Corporate office | 1 | 2 | 3 |

The company has a right to extend/terminate its leasing arrangements beyond the initial agreement/lock in period. For the assessment of lease term as per Ind AS 116, the management of the Company has considered the extension options and not considered the early termination options wherever available for its property leases in its lease period assessment since the Company is likely to be benefited from a longer lease tenure.

x) **Disclosures under Ind AS 17 for the year ended 31 March 2019**

Operating leases- assets taken on lease

Minimum lease payments in relation to non-cancellable operating leases are payable as follows:

| Particulars | 31 March 2019 |
|---|---------------|
| Upto one year | 56.84 |
| Two to five years | 7.77 |
| More than five years | - |
| Total | 64.61 |
| Lease payments under operating leases disclosed as 'rent' in the statement of profit and loss | 83.50 |

47. Ind AS 115 - Revenue from Contracts with Customers

Ind AS 115: Revenue from Contracts with Customers, establishes a framework for determining whether, how much and when revenue is recognised and requires disclosures about the nature, amount, timing and uncertainty of revenues and cash flows arising from customer contracts. Under Ind AS 115, revenue is recognised through a 5-step approach:

- Identify the contract(s) with customer;
- Identify separate performance obligations in the contract;
- Determine the transaction price;
- Allocate the transaction price to the performance obligations; and
- Recognise revenue when a performance obligation is satisfied.

(i) Disaggregation of revenue

The Company has performed a disaggregated analysis of revenues considering the nature, amount, timing and uncertainty of revenues. This includes disclosure of revenues by geography.

| Revenue from operations | Year ended 31 March 2020 | Year ended 31 March 2019 |
|-----------------------------|--------------------------|--------------------------|
| Revenue by geography | | |
| Domestic | 1,467.84 | 1,696.83 |
| Export | 6,219.65 | 6,791.74 |
| Total | 7,687.49 | 8,488.57 |

(ii) Revenue recognised in relation to contract liabilities

Ind AS 115 also requires disclosure of 'revenue recognised in the reporting period that was included in the contract liability balance at the beginning of the period' and 'revenue recognised in the reporting period from performance obligations satisfied (or partially satisfied) in previous periods. Same has been disclosed as below:

| Description | Year ended 31 March 2020 | Year ended 31 March 2019 |
|--|-----------------------------|-----------------------------|
| Revenue recognised in the reporting period that was included in the contract liability balance at the beginning of the period | 66.88 | 203.27 |
| Revenue recognised in the reporting period from performance obligations satisfied (or partially satisfied) in previous periods | - | - |

(iii) Assets and liabilities related to contracts with customers

| Description | Year ended 31 March 2020 | Year ended 31 March 2019 |
|--|-----------------------------|-----------------------------|
| Contract liabilities related to sale of goods | | |
| Advance from customers | 258.43 | 71.45 |
| Total | 258.43 | 71.45 |

(iv) Reconciliation of revenue recognised in statement of profit and loss with contract price

| Description | Year ended 31 March 2020 | Year ended 31 March 2019 |
|--|-----------------------------|-----------------------------|
| Contract price | 7,726.94 | 8,529.72 |
| Less: Discount, rebates, credits | 39.45 | 41.15 |
| Revenue from operations (excluding other operating revenue) as per statement of profit and loss | 7,687.49 | 8,488.57 |

(v) Significant changes in contract assets and liabilities

| Description | Year ended 31 March 2020 | Year ended 31 March 2019 |
|--|-----------------------------|-----------------------------|
| Opening balance | 71.45 | 215.74 |
| Add: addition during the year | 253.86 | 58.98 |
| Less: revenue recognised during the year from opening liability | 66.88 | 203.27 |
| Closing balance | 258.43 | 71.45 |

- 48.** World Health Organisation (WHO) declared outbreak of Coronavirus Disease (Covid-19) a global pandemic on 11 March 2020. Consequent to this, Government of India declared lockdown on 23 March 2020 and the Company temporarily suspended the operations in the factory in compliance with the lockdown instructions. Covid-19 had impacted the business operations of the Company, only during the tenure of the lockdown period from 23 March 2020 to 24 April 2020, subsequent to which the company was able to restore its normal production capacity to its pre-covid production levels during the month of June 2020.

The Company has made detailed assessment of its liquidity position to continue operations for the next year and recoverability and carrying value of its assets comprising property, plant and equipment, inventory and trade receivables, Based on the current indicators of future economic conditions, the Company expects to recover the carrying amount of these assets. The Company will continue to closely monitor any material changes arising of future economic conditions and impact on its business.

- 49.** As notified vide disclosure under Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements), 2015 dated 29 September 2019, 38th Annual General Meeting ('AGM') was cancelled due to complaint received from some of the large shareholders of the Company as their e-voting rights had been fraudulently been exercised without their knowledge, consent and authorisation. The Company had filed an application with Registrar of Companies ('ROC') on 29 September 2019, requesting for an extension of time for re-convening the AGM. The Company received the extension from MCA vide letter dated 04 October 2019 and conducted the AGM on 08 November 2019 within the extended time period.
- 50.** During the current year, the managerial remuneration paid by the Company is in excess by ₹ 29.81 lacs of limits laid down under Section 197 of the Companies Act, 2013 ('the Act'). The managerial remuneration paid in FY 2019-20 is within the specified limits as per the provisions of Schedule V of the the Act, as per the limits of effective Capital of the Company, duly passed by the Nomination and Remuneration Committee, and the Company has taken approval of the Shareholders in respective AGM's, but the provisions of Schedule V shall not be applicable as the Company has not complied with clause (iv) of the second proviso after Item B of Section II of Part II of the Schedule V of the Act.

The Company will ensure compliance by seeking approval from the shareholders of the Company within the specified time period as prescribed under the Act.

For Walker Chandiok & Co LLP
Chartered Accountants
Firm Registration Number: 001076N/N500013

Rohit Arora
Partner
Membership No. 504774

Place: New Delhi
Date: 06 July 2020

For and on behalf of the Board of Directors of
H.P. Cotton Textile Mills Limited

Kailash Kumar Agarwal
Chairman & Managing Director
DIN: 00063470

Raghav Kumar Agarwal
Executive Director, CEO & CFO
DIN: 02836610

Shubham Jain
Company Secretary
Membership No: 49541

Place: New Delhi
Date: 06 July 2020



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1 & 2, Old Ishwar Nagar, Mathura Road, New Delhi - 110065, India