

SRI KANNAPIRAN MILLS LIMITED



**Annual Report
for the year ended March 31, 2019**



Sri Kannapiran Mills Limited

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Coimbatore - 641 028
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Website : www.kannapiran.co.in
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ONAPALAYAM
KALAPATTI
P. PULIAMPATTI
&
SIPCOT, PERUNDURAI

Registrar and Share Transfer Agent
Cameo Corporate Services Limited
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Chennai - 600 002
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Board of Directors

KG BALAKRISHNAN (DIN : 00002174)

Chairman

G BAKTHAVATHSALAM (DIN : 00007132)

B SRIRAMULU (DIN : 00002560)

B SRIHARI (DIN : 00002556)

Managing Directors

A VELUSAMY (DIN : 00002204)

Whole Time Director

K N V RAMANI (DIN : 00007931)

V ARUNACHALAM (DIN : 00051327)

K B NAGENDRA MURTHY (DIN : 00359864)

Chief Financial Officer

G. KRISHNAKUMAR

Auditors

M/s GOPALAIYER & SUBRAMANIAN

Chartered Accountants

Coimbatore

Cost Auditor

M NAGARAJAN

Cost Accountant

Coimbatore

Secretarial Auditor

M.R.L.NARASIMHA

Practising Company Secretary

Coimbatore

Bankers

INDIAN BANK, Coimbatore

CENTRAL BANK OF INDIA, Coimbatore

THE SOUTH INDIAN BANK LIMITED, Coimbatore

STATE BANK OF INDIA, Coimbatore

ORIENTAL BANK OF COMMERCE, Coimbatore

CANARA BANK, Coimbatore

INDIAN OVERSEAS BANK, Coimbatore

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DIRECTORS' REPORT TO SHAREHOLDERS

Your Directors have pleasure in submitting their 73rd Annual Report and audited financial statements of your Company for the year ended March 31, 2019.

The Statement of accounts presented to you include the accounts of KG Fabriks Limited which has been merged with your Company with effect from 1.4.2018 as per the Scheme of Amalgamation approved by the Orders of Honorable National Company Law Tribunal, Chennai.

Merger of KG Fabriks Limited

KG Fabriks Limited [KGFL] went in to commercial production of denim fabric in SIPCOT Industrial Growth Centre, Perundurai from 29.3.2006. In the fast changing domestic and global business, economic, industrial and political environment, technological developments, regulatory changes in the financial sector, size of business and business integration matters very much to face competitive challenges. Management earnestly felt that keeping spinning and weaving facilities on stand alone basis will not be hitherto advantageous and that integration of two businesses in to one has to be done in the larger interest of all stakeholders for the years to come. This would enable greater realization of potential of the businesses of both the companies and result in enhanced value creation for all the stakeholders.

Under such circumstances the Board of Directors of KGFL (Transferor Company) and Sri Kannapiran Mills Limited [SKML] (Transferee Company) at their meeting on 20.10.2018 resolved that the spinning and weaving businesses be integrated through a Scheme of Amalgamation (under Sections 230 to 240 and other applicable notified provisions of the Companies Act, 2013) of KGFL with SKML and their respective Shareholders and Creditors subject to required regulatory approvals.

Company thereafter filed the necessary application with Honorable National Company Law Tribunal, Chennai (NCLT) on 1.3.2019 along with the Draft Scheme of Amalgamation. NCLT heard the application on 9.8.2019 and called for holding of the Meetings of the Unsecured Creditors and Shareholders of both the Companies on 4th and 5th October 2019. These meetings were duly held on the respective dates and the requisite approvals from unsecured creditors and shareholders for the amalgamation were obtained.

NCLT ordered for final hearing on the petition on 06.02.2020 and accorded its approval vide Order dated 21.02.2020 Both the Companies filed Form INC 28 on 26.02.2020 with Registrar of Companies, Coimbatore and the Scheme became operative from the appointed date of 1.4.2018.

In terms of the Scheme of Amalgamation, all assets and liabilities of KGFL as on the appointed date shall stand transferred to and vested with SKML. KGFL will cease to exist and as consideration equity shareholders of KGFL shall receive equity shares of SKML in the ratio of 10:1. As per the Scheme equity shares of SKML held by KGFL shall be cancelled. The name of KGFL will be changed to "KG Fabriks, Unit of Sri Kannapiran Mills Limited" for maintaining market identity. The Board of Directors of KGFL will also cease to function.

Upon merger, the Authorised Capital of the Company has been increased to ₹ 33,00,00,000 (Rupees thirty three crores only) divided in to 2,70,00,000 Equity Shares of ₹ 10 each and 6,00,000 Preference Shares of ₹100 each from the existing Authorised Capital of ₹ 9,00,00,000 (Rupees nine crores only) divided into 60,00,000 Equity Shares of ₹10 each and 3,00,000 Preference Shares of ₹100 each; Memorandum of Association and Articles of Association of the Company has been altered to that extent;

Company is now in the process of pursuing the post implementation merger activities.

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Allotment of Equity and Preference Shares

In consideration of the transfer and vesting of the undertaking of the Transferor Company in the Company, the Company shall issue and allot to remaining Equity Shareholders of the Transferor Company, whose name is entered in the Register of Members of the Transferor Company on the record date, a total of 17,93,449 Equity Shares of ₹10 each, credited as fully paid up of the Transferee Company in the following share exchange ratio:

One Equity Share of the Company of ₹10 each fully paid up for every 10 Equity Shares of the Transferor Company of ₹10 each fully paid up

The Company shall issue and allot 135000 6% Cumulative Redeemable Preference Shares of ₹100/- each of the Transferee Company, credited as fully paid to the existing preference share holder of Transferor Company.

Capital Reserve

Company has recognized Capital Reserve amounting to ₹ 1614 lakhs on account of amalgamation.

State of the Company's Affairs

Spinning Business

The yarn production for the year was 192 lakhs kgs compared to previous year of 176 lakh kgs. Cotton price was ruled between ₹ 121 to ₹ 134 per kg. Company changed its product mix in line with the changing market scenario with the increased production capacity created out of expansion, higher productivity using 100% firm private power which is lower than TNEB prices. These measures helped the Company to make profits though these were lower than earlier year due to mixed reasons. Spinning business achieved a Gross Profit of ₹ 3049 lakhs compared to ₹ 2364 lakhs for previous year.

Denim Business

Currently there are more than 42 denim mills with manufacturing capacity ranging from 10 MMPA [Million Meters per annum] to 153 MMPA with 6 other companies trying to build capacity of 140 MMPA [Source: Denim Association] Some of them are present in the entire textile value chain with spinning, weaving, processing, garmenting, retailing in the same company or through associate companies. As a result industry is operating at a capacity of 60%. Denim prices therefore got impacted due to price competition. Denim industry had been greatly affected during the last three years due to continued impact of demonetization and GST framework, rise in input costs and lower realization due to weak demand and intense competition. Fabric production was 98.11 lakh meters for the year as against 118.48 lakh meters during the previous year. Sales for the year was 90.96 lakh meters as against 119.55 lakh meters for the previous year including exports of 20 lakh meters for the year against 16.68 lakh meters for the previous year. Weaving business achieved a Gross Profit of ₹ 329 lakhs compared to ₹ 759 lakhs for previous year.

Company has been working on sustainability initiatives for the last 3 years in the fields of water and waste water treatment, zero liquid discharge and environment protection as global brands and some domestic brands have increasing preference for sustainable products. In recognition of the ardent efforts, Ministry of Water Resources, River Development and Ganga Rejuvenation, New Delhi granted "National Water Award 2018" for lowest water consumption per meter of fabric which carried a Citation and Cash Award of ₹ 2 lakhs in the category of "Best Industry (Medium & Small Scale)".

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Again in recognition of our notable initiatives on the environmental front, chemical consumption reduction, effluent water reduction Confederation of Indian Industry (CII) awarded "GREENCO GOLD Rating" and complemented the Company for having set a benchmark for other textile units to catch on.

Company also obtained Trade Marks for three products by registering the same under Clauses 24, 25 and 40 of Trade Marks Act 1999 to facilitate brand building and marketing.

Product Zero	Green Dnm	Dnm Zero
		

With a view to penetrate the market and increase sales Company also renewed Certification from "Global Organic Textile Standard (GOTS)" for Recycled Claim Standard (RCS), Recycled Claim Standard Blended (RCSB) and OEKO-TEX Standard 100 testing for harmful substances. Company also became a member of SMETA [SEDEX Members Ethical Trade Audit] from 13.12.2018 and Better Cotton Initiative [BCI] to show case our presence in the industry with sustainable products.

It is expected that the present integration of spinning and weaving will largely help in achieving higher sales and profitability once the entire textile business improves. A number of factors affected operations during the current year viz., trade war between US and China, general economic slow down across the global economy and consequent impact on global trade.

Your Company therefore aimed at increasing export market and increased its sales to Sri Lanka, Bangladesh and Malaysia.

Industry Structure & Developments

India's textiles sector is one of the oldest industries in Indian economy dating back several centuries. Even today, textiles sector is one of the largest contributors to India's exports with approximately 15 per cent of total exports. The textiles industry is also labour intensive and is one of the largest employers.

The textile industry employs about 45 million people directly. India's overall textile exports during FY 2018-19 stood at US\$ 39 billion; 15 % of Export Earning.

The Indian textiles industry is extremely varied, with the hand-spun and hand-woven textiles sectors at one end of the spectrum, while the capital intensive sophisticated mills sector at the other end of the spectrum. The decentralised power looms/ hosiery and knitting sector form the largest component of the textiles sector. The close linkage of the textile industry to agriculture (for raw materials such as cotton) and the ancient culture and traditions of the country in terms of textiles make the Indian textiles sector unique in comparison to the industries of other countries. The Indian textile industry has the capacity to produce a wide variety of products suitable to different market segments, both within India and across the world.

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The Indian textiles industry, currently estimated at around US\$ 150 billion, is expected to reach US\$ 250 billion by 2020. The Indian Textile Industry contributes approximately 2 per cent to India's Gross Domestic Product (GDP), 10 per cent of manufacturing production and 14 per cent to overall Index of Industrial Production (IIP).

Indian exports of locally made retail and lifestyle products grew at a Compound Annual Growth Rate (CAGR) of 10 per cent from 2013 to 2018, mainly led by bedding bath and home decor products.

The Indian government has come up with a number of export promotion policies for the textiles sector. It has also allowed 100 per cent FDI in the Indian textiles sector under the automatic route.

The future for the Indian textile industry looks promising, buoyed by both strong domestic consumption as well as export demand. With consumerism and disposable income on the rise, the retail sector has experienced a rapid growth. High economic growth has resulted in higher disposable income. This has led to rise in demand for products creating a huge domestic market. The domestic market for apparel and lifestyle products, currently estimated at US\$ 85 billion, is expected to reach US\$ 160 billion by 2025.

The Indian cotton textile industry is expected to showcase a stable growth in FY 2019-20, supported by stable input prices, healthy capacity utilisation and steady domestic demand.

The production of cotton in India is estimated to increase by 9.3 per cent year-on-year to reach 37.7 million bales in FY 2018-19. The total area under cultivation of cotton in India is expected to increase by 7 per cent to 11.3 million hectares in 2018-19. India is the second largest producer of cotton accounting for 25% of the global cotton area and contributes to 18% of the global cotton production.

The demand and margin for Ring and Open end yarn was improved during the current year. Power position in Tamil Nadu was favourable during the year.

The textile industry has suggested various measures to improve the performance of textile mills in India to Government of India for stabilizing cotton prices, good infrastructure to improve the movement of goods at low cost, lower power cost and Bank interest rate.

The company is able to sell its products in view of varied product mix viz., Compact yarn, Slub yarn, Gassed mercerized yarn, polyester yarn, denim yarn and glove yarn. Exports for the year were ₹12 Crores. The Company had own depots, dealer network at various places in India to meet the end user's requirements immediately.

Opportunities

There is greater opportunity due to India's rising population further complemented by growing young population with changing tastes and fashion. Rising incomes, growth of retail sector, higher women workforce, increasing disposal income and consumerism and organized apparel segment will further usher the growth of the industry.

Your company has been carrying out regular modernization, expansion and technology up gradation schemes to increase productivity and to produce wider range of yarn and fabrics. Sustainable efforts in water conservation and reuse for weaving and processing of fabric resulted in Government of India according National Water Award 2018. Company holds several certifications for process and product quality which are expected to increase production, sales and profitability in the ensuing years.

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Threats

Indian textile industry is highly dependent on availability of domestic cotton at a competitive price. Expected increase in yarn demand and apparel segments demand will help to improve sales and

There is shortage of labor and skill in the industry despite India having a favorable demographic profile. Recognizing the need for skill development, Government has promoted skill development programs through Textile Sector Skill Council (TSC) of National Skill Development Corporation (NSDC). Your Company employs people from more than 9 states who are all skilled under Pradhan Mantri Kaushal Vikas Yojana (PMKVY). Company has also set up KG Centurion Work Integrated and Advanced Skills Centre in association with Centurion University of Technology and Management for ITI/Vocational Training.

Banking regulations have become stringent due to high non performing assets and scams in banking sector. Interest rates need to be softening to promote growth of textile sector.

The widening trade tension between US and China & other countries will impact exports. Industry expects the Government to tackle the issue in the best way possible to promote domestic industry. Stiff competition from low cost countries due to duty concession continues to pose threat.

Segment wise or product wise performance

The Company is engaged in the business of spinning of yarn and weaving of fabrics and accordingly this is the only Single Reportable Segment.

Outlook

In the backdrop of general economic slowdown due to various happenings across the globe and the continued impact of demonetization and GST, tighter banking regulations due to rising level of non-performing assets, the Company expects to improve further its operational and financial performance during the current year by achieving full utilization, increased productivity, better product mix and power management.

Risk and concerns

Cotton being an agriculture product, is the key raw material used for manufacture of cotton yarn, the cultivation is dependent on monsoon. Availability of quality cotton at stable prices is crucial for the profitability. The continuing trade tension between US and China and other countries has impacted yarn exports with consequential impact in domestic markets.

Higher Bank interest rates and increased labour cost coupled with shortage of labour will be major concern for our company.

Health, Safety and Environmental Protection

Your Company has complied with all the applicable Environmental and Labor Laws. Company continues to be certified under ISO 9001:2008 Standard for manufacture of denim and industrial fabrics. Company also holds approval of HOENSTEIN Textile Testing Institute, Germany for use of Oeko-Tex mark. Company has been complying with the relevant laws and has been taking all necessary measures to protect the environment and maximize protection and safety.

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Skill Development Initiatives

Human Resources are the significant assets to any enterprise. Company has regular skill development programs for its staff to update them with the latest developments. Company is recruiting people from North Eastern and other states to coach them with the basic skills followed by on the job training by adopting National Occupational Standard-wise (NOS) training.

Company launched Pradhan Mantri Kaushal Vikas Yojana (PMKVY) from October 2015 for training and standardizing skills across various job roles. People who undergo the Skill Development Program are given Certificates for the specific skills making them employable. So far more than 1200 people have been trained in the mills. Company also enrolled under the Integrated Skill Development Scheme (ISDS) of the Ministry of Textiles. Around 150 got enrolled under this program.

Company was the earliest to sign Flexi Training Agreement with Gram Tarang Employability Training Services Pvt Ltd in December 2015 which is the social entrepreneurship outreach entity of the Centurion University of Technology and Management, Odisha.

Company thus promoted KG Centurion Work Integrated ITI and Advanced Skills Centre in June 2016 as the Training Division of the Company. People are taught and trained in various skills by providing on the job training to qualify in the tests and get Diploma Certificate which makes them employable across India. So far more than 125 people have been training and skilled under the Centurion Program.

Company also under Scheme of Recognition of Prior Learning (RPL) trained labor to get Professional Certification and Monetary Reward in recognition of their skills. 72 staff members have so far completed their training under this Scheme. Staff undergoing this program is given accident insurance cover for Rs 2 lakhs for a period of 3 years.

Company adopted Government Industrial Training Institute at Paramakudi in 2009 to train people required for the specific requirements of the textile industry by giving practical training. SKML is an Industrial Partner for the Institute. People qualifying from the Institute are employed with in the spinning and weaving mills.

These initiatives have helped in standardizing skills and work specialization resulting in improved productivity and labor efficiency

Dividend

No dividend is proposed considering the need to conserve funds for augmenting working capital margin.

Transfer of Amount to Reserves

Company does not propose to transfer any amount to General Reserve for the financial year ended 31st March 2019,

Transfer of Unclaimed Dividend to Investor Education and Protection Fund

The provisions of Section 125(2) of the Companies Act, 2013 do not apply as no dividend was declared and paid last year.

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Material changes and commitments, if any, affecting the financial position of the Company which have occurred between the end of the financial year of the Company to which the financial statements relate and the date of the Report

No material changes and commitments affecting the financial position of the Company occurred between the end of the financial year to which this financial statement relates and the date of this Report.

Board Meeting

The Board met 5 times and the meetings were held on 1.6.2018, 18.6.2018, 21.08.2018, 20.10.2018 and 18.2.2019. The number of meetings directors attended is as follows.

Name of the Director	Category	No. of Meeting held	No. of Meetings Attended
Mr K G Balakrishnan	Chairman	5	5
Dr G Bakthavathsalam	Executive, Managing Director	5	3
Mr B Sriramulu	Executive, Managing Director	5	5
Mr B Srihari	Executive, Managing Director	5	4
Mr A Velusamy	Non-Executive	5	5
Mr K N V Ramani	Independent, Non-Executive	5	5
Mr V Arunachalam	Independent, Non-Executive	5	5
Mr K B Nagendra Murthy	Independent, Non-Executive	5	3

Audit Committee Meeting

The Audit Committee Meeting held on 18.06.2018, 21.08.2018, 20.10.2018 and 18.02.2019. Composition of the Audit Committee as on 31st March, 2019 and the attendance during the year are as under:

Name of the Director	Position	Category	No. of Meeting held	No. of Meetings Attended
Mr K N V Ramani	Chairman	Independent, Non-Executive	4	4
Mr A Velusamy	Member	Non-Executive	4	3
Mr K B Nagendra Murthy	Member	Independent, Non-Executive	4	3

Nomination & Remuneration Committee Meeting

The Nomination & Remuneration Committee Meeting held on 01.06.2018, 21.08.2018 and 18.02.2019. Composition of the Nomination & Remuneration Committee as on 31st March, 2019 and the attendance during the year are as under:

Name of the Director	Position	Category	No. of Meeting held	No. of Meetings Attended
Mr K N V Ramani	Member	Independent, Non-Executive	3	3
Mr A Velusamy	Member	Non-Executive	3	3
Mr K B Nagendra Murthy	Member	Independent, Non-Executive	3	1

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Risk Management Committee Meeting

The Risk Management Committee Meeting held on 18.02.2019. Composition of the Risk Management Committee as on 31st March, 2019 and the attendance during the year are as under:

Name of the Member	Position	Category	No. of Meeting held	No. of Meetings Attended
Mr B Srihari	Chairman	Executive	1	1
Mr A Velusamy	Member	Non-Executive	1	1
Mr G Krishnakumar	Member	Chief Financial Officer	1	1

Independent Directors Meeting

Independent Director's Meeting held on 18.02.2019. Composition of the Independent Director's as on 31st March, 2019 and the attendance during the year are as under:

Name of the Director	No. of Meeting held	No. of Meetings Attended
Mr K N V Ramani	1	1
Mr V Arunachalam	1	1
Mr K B Nagendra Murthy	1	-

Directors' responsibility statement

In compliance of Section 134(5) of the Companies Act, 2013 the Directors of Your Company confirms:-

- that in the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures;
- that the directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year and of the profit and loss of the company for that period;
- that the directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
- that the directors had prepared the annual accounts on a going concern basis; and
- that the directors had devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

Statement on Declaration given by Independent Directors under Sub-Section (7) of Section 149 of the Companies Act, 2013

The independent directors have submitted the declaration of independence, as required pursuant to section 149(7) of the Companies Act, 2013 stating that they meet the criteria of independence as provided in sub-section(6).

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Nomination and Remuneration Committee

The Nomination and Remuneration Committee consists of the following members namely Mr. K N V Ramani, Mr. A Velusamy and Mr. K B Nagendra Murthy.

Scope

1. Brief description of terms of reference;
2. 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 for their appointment and removal;
3. Carry on the evaluation of every director's performance;
4. Formulation of the criteria for determining qualifications, positive attributes and independence of a director;
5. Recommend to the Board a policy relating to the remuneration of the directors, key managerial personnel and other employees;
6. Formulation of criteria for evaluation of Independent Directors and the Board;
7. Devising a policy on Board diversity; and
8. Any other matter as the Board may decide from time to time.

Nomination and Remuneration policy

The objectives of the Policy

1. To lay down criteria and terms and conditions with regard to identifying persons who are qualified to become Directors (Executive and Non-Executive) and persons who may be appointed in Senior Management and Key Managerial positions and to determine their remuneration.
2. To determine remuneration based on the Company's size and financial position and trends and practices on remuneration prevailing in peer companies.
3. To carry out evaluation of the performance of Directors.
4. To provide them reward linked directly to their effort, performance, dedication and achievement relating to the Company's operations.
5. To retain, motivate and promote talent and to ensure long term sustainability of talented managerial persons and create competitive advantage.

Particulars of Loans, Guarantees and Investments under Section 186 of Companies Act, 2013

The Company has not given any loans. The details of guarantee and investments made during the financial year ended on 31st March, 2019 are given in the Notes to Financial Statements in compliance with the provisions of Section 186 of the Companies Act, 2013 read with Companies (Meeting of Board and its Powers) Rules, 2014.

There is no subsidiary or associates and joint ventures as per the provisions of Section 129 of the Companies Act, 2013 read with Companies (Accounts) Rules, 2014. Hence Form AOC-1 is not applicable to the Company.

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Particulars of Contracts and Arrangements with Related Parties Referred to in Sub-Section (1) of Section 188 of the Companies Act, 2013

All related party transactions that were entered into during the financial year were on arm's length basis and were in the ordinary course of the business. There are no material related party transactions with the Promoters, Directors or Key Managerial Personnel or other designated persons which may have a potential conflict with the interest of the Company at large.

All related party transactions are placed before the Audit Committee and also to the Board for approval on a quarterly basis. Prior Omnibus approval of the Audit Committee is obtained on an annual basis for the transaction which are of a foreseen and repetitive nature. The transactions entered in to pursuant to the omnibus approval so granted are audited and a statement giving details of all related party transactions is placed before the Audit Committee and the Board of Directors for their approval on a quarterly basis. None of the Directors has any pecuniary relationship or transactions vis-à-vis the company.

The details of the related party transactions, as per requirement of Accounting Standards-18 are disclosed in notes to the financial statements of the Company for the financial year 2018-19. All the directors have disclosed their interest in Form MBP-1 pursuant to Section 184 of the Companies Act, 2013 and as & when any changes in their interest take place, such changes are placed before the Board at its meetings. None of the transactions with any of the related parties was in conflict with the interest of the Company. A statement in the prescribed Form AOC-2 as per Rule 8(2) of the Companies (Accounts) Rules, 2014 is annexed to this Report as **Annexure - 3**.

Annual Return

The extract of Annual Return is prepared in Form MGT-9 as per the provisions and Rule 12 of Companies (Management and Administration) Rules, 2014 and the same is annexed as **Annexure - 4** to this Report.

Conservation of Energy, Technology absorption, Foreign Exchange Earnings and Outgo pursuant to provisions of Section 134(3)(m) of the Companies, Act, 2013 (Act) read with Rule 8 (3) of the Companies (Accounts) Rules, 2014.

Information with respect to conservation of energy, technology absorption, foreign exchange earnings and outgo pursuant to Section 134(3) (m) of the Act read with Rule 8 (3) of the Companies (Accounts) Rules, 2014 is prepared and the same is annexed as **Annexure - 1** to this Report.

Risk Management Committee

Risk Management Committee consists of the following persons namely Mr B Srihari, Chairman, Mr A Velusamy and Mr G Krishnakumar as members.

The Committee had formulated a Risk Management Policy for dealing with different kinds of risks which it faces in day to day operations of the Company. Risk Management Policy of the Company outlines different kinds of risks and risk mitigating measures to be adopted by the Board. The Company has adequate internal control systems and procedures to combat the risk. The Risk management procedure is reviewed by the Audit Committee and Board of Directors on a Quarterly basis at the time of review of Quarterly Financial Results of the Company.

Corporate Social Responsibility Committee

Corporate Social Responsibility is commitment of the Company to improve the quality of life of the workforce and also the community and society at large. The Company believes in undertaking business in such a way that it leads overall development of all stakeholders and society.

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The Board of Directors of the Company has constituted Corporate Social Responsibility Committee consisting of the following persons namely Mr KG Balakrishnan, Mr K N V Ramani and Mr A Velusamy as members and adopted policy for Corporate Social Responsibility.

Corporate Social Responsibility policy was adopted by the Board of Directors on the recommendation of Corporate Social Responsibility Committee.

The Report on Corporate Social Responsibility (CSR) as per Rule 9 of the Companies (Corporate Social Responsibility Policy) Rules, 2014 is annexed as **Annexure - 2**.

Directors

Mr KG Balakrishnan, Chairman retire by rotation at the ensuing Annual General Meeting and is eligible for reappointment.

Consequent to the merger of KG Fabriks Limited (the Transferee Company) with the Company, Mr.A.Velusamy, Whole Time Director of the Transferee Company continue to be the Whole Time Director of the Company (the Transferor Company) as per the Clause 12 of the Scheme of Amalgamation. Mr.A.Velusamy whose terms of office expires on 26.05.2021 as per original terms of appointment will continue to be the Whole Time Director of the Company till such date.

Statutory Auditors

M/s Gopalaiyer and Subramanian [Firm Registration No: 000960S], Chartered Accountants, Coimbatore were appointed as Statutory Auditors of the Company at the AGM held on 21st September 2017 to hold office for five consecutive years from FY 2017-18. Accordingly M/s Gopalaiyer and Subramanian, Chartered Accountants will continue as Statutory Auditor of the Company till FY 2021-22. The requirement of seeking ratification of appointment of Statutory Auditors by members at each Annual General Meeting has been done away vide Notification dated May 7, 2018 issued by the Ministry of Corporate Affairs.

Auditor's Report

M/s Gopalaiyer and Subramanian [Firm Registration No: 000960S], Chartered Accountants, Coimbatore have issued Auditor's Report for the financial year ended 31st March 2019 and the Report does not contain any qualification or adverse remark and the same is attached with the Report.

Cost Auditor

As per the requirement of Central Government and pursuant to Section 148 of the Companies Act, 2013 read with the Companies (Cost Records and Audit) Rules, 2014 as amended from time to time, your Company has been carrying out audit of cost records every year.

The Board of Directors, on the recommendation of the Audit Committee, at their meeting held on 18.02.2019 appointed Shri. M. Nagarajan, Cost Accountant (Firm Registration Number 000088) as Cost Auditor to audit the cost accounts of the company for FY 2019-20. As required under the Companies Act, 2013 a resolution seeking members' approval for the remuneration payable to the Cost Auditor forms part of the Notice convening the Annual General Meeting for their ratification.

Secretarial Auditor

Pursuant to Section 204 of the Companies Act, 2013 read with the Companies (Appointment and Remuneration of Managerial Personnel) Rules 2014, Company has appointed Mr. M.R.L Narasimha, Practising Company Secretary (CP No 799) for conducting the Secretarial Audit of the Company for the financial year ended 31.3.2019. The Secretarial Audit Report issued by Mr M.R.L Narasimha is annexed as **Annexure - 5** to this Report.

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Internal control systems and their accuracy

The Company has a proper and adequate internal control system to ensure that all the assets are safe guarded and protected against the loss from unauthorized use or disposition and that all transactions are authorized, recorded and reported correctly.

The internal control is supplemented by an extensive programme of internal audits, review by management and documented policies, guidelines and procedures. The internal control is designed to ensure that financial and other records are reliable for preparing financial statements and other data and for maintaining accountability of assets.

Vigil Mechanism / Whistle Blower Policy:

The Board of Directors has adopted a Whistle Blower Policy which is hosted on the company's website. The Whistle Blower Policy aims for conducting the affairs in a fair and transparent manner by adopting highest standards of professionalism, honesty, integrity and ethical behavior. All permanent employees of the Company are covered under the Whistle Blower Policy.

A mechanism has been established for employees to report concerns about unethical behavior, actual or suspected fraud or violation of Code of Conduct and Ethics. It also provides for adequate safeguards against the victimization of employees who avail of the mechanism and allows direct access to the Chairperson of the Audit Committee in exceptional cases.

Environment

Company is primarily focused on Environmental Management System. It ensures that the manufacturing is carried or without affecting the environment both in the working area and the surrounding.

Policy on Sexual Harassment

The Company has adopted policy on Prevention of Sexual Harassment of Women at Workplace in accordance with The Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013. During the financial year ended 31st March, 2019, the Company has not received any complaints pertaining to sexual harassment.

Legal Requirements

Company is conscious of improving the occupational and personal health of all its employees. In addition to the medical camps, Company regularly organizes Employees Health Check up Programs from outside hospitals on an annual basis.

Company provides a safer work environment for its employees. Basic equipments are provided to ensure safety from fire. Awareness classes are being conducted periodically with the help of External Agencies about basis safety, fire fighting, mock drills, mass evacuation, first aid etc.,

Insurance

All the properties and insurable interests of the Company including building, plant and machinery and stocks have been fully insured.

Finance

Your Directors acknowledge with gratitude, the valuable assistance and support extended by our Bankers for term loans and working capital i.e., Indian Bank, Central Bank of India, The South Indian Bank Limited, State Bank of India, Canara Bank, Oriental Bank of Commerce and Indian Overseas Bank.

Sri Kannapiran Mills Limited

Material changes and commitments

There are no material changes and commitments in the business operations of the Company from the financial year ended 31st March, 2019 to the date of signing of the Director's Report.

Significant and material orders passed by the Regulators or Courts

There are no significant material orders passed by the Regulators / Courts which would impact the going concern status of the Company and its future operations. There are no material changes and commitments, if any, affecting the financial position of the company which have occurred between the end of the financial year of the company to which the financial statements relate and the date of the Report.

Personnel

The Industrial relations were cordial during the year under review.

Particulars of Employees

During the year under review there were no employees in receipt of remuneration covered by Section 197(12) read with Rule 5(2) of The Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014.

Acknowledgement

Your Directors place on record their sincere thanks to the Banks for their continued support and also express their appreciation for the co-operation extended by the employees at all levels.

Our prayers to Lord Then Thirumalai Shri Venkatachalapathy, Lord Muruga and Goddess Sri Saradambal for the continued prosperity of the Company.

Coimbatore
28.02.2020

For and on behalf of the Board
KG Balakrishnan
Chairman
DIN : 00002174

Sri Kannapiran Mills Limited

ANNEXURE 1 - TO THE DIRECTORS' REPORT

Conservation of Energy, Technology absorption, Foreign Exchange Earnings and Outgo pursuant to provisions of Section 134(3)(m) of the Companies, Act, 2013 read with Rule 8 (3) of the Companies (Accounts) Rules, 2014.

A. Conservation of Energy

Steps taken or impact on conservation of energy	Spinning: Installation of Energy Efficient Motors in all units Replacement of Fluorescent Bulbs by LED Bulbs Optimization of technological Air Suction in BD 200 OE machines Reduction of Compact /Suction Pressure from 240 to 180/200 Pa Installation of Pneumafil Group Suction arresting air leakage Installation of new Technology Air Compressor Modification and optimization of Humidification Plant in all units Control of Card Idle Running Time through Timers Star Delta to Delta operation in one mill Denim Weaving: Replacement of 36 Membranes in RO plant Improvement of Power factor by adding Capacitor Bank of 100 KVAR Replacement of Fluorescent Lamp by LED Lamp Replacement of Sodium Lamps by LED lamps Fixing of Inverter System in Humidification Plant Switch over to Conventional Cooling Tower Automation of ETP Screening Motor
Steps taken by the company for utilizing alternative sources of energy	Company has multiple sources of power viz., natural gas (48%), wind (29%), bio gas (19%), solar (3%) and EB & DG each constituting 1%.
Capital investment on energy conservation equipments	₹ 51 lakhs in Spinning

B. Technology absorption

- (i) The efforts made towards technology absorption;
Indigenous technology is only used.
- (ii) The benefits derived like product improvement, cost reduction, product development or import substitution;

Company's own Research and Development department continues its activities in the field of process control, quality improvement, product development /diversifications and cost reduction resulting in considerable improvement in productivity and quality.

Sri Kannapiran Mills Limited

(iii) Details of technology imported during the last three years : Nil

(a) The details of technology imported;

(b) The year of import;

(c) Whether the technology been fully absorbed;

(d) If not fully absorbed, areas where absorption has not taken place, and the reasons thereof.

(iv) The expenditure incurred on Research and Development.

The Company is having its own Research and Development department and its expenses have been included in employee cost and other expenses.

C Foreign Exchange Earnings and Outgo

The Foreign Exchange earned in terms of actual inflows during the year and the Foreign Exchange outgo during the year in terms of actual outflows.

(₹ in Lakhs)

	31.3.2019	31.3.2018
Used	730	785
Earned	4317	1168

Coimbatore
28.02.2020

For and on behalf of the Board
KG Balakrishnan
Chairman
DIN : 00002174

Sri Kannapiran Mills Limited

ANNEXURE 2 - REPORT ON CORPORATE SOCIAL RESPONSIBILITY (CSR) AS PER RULE 9 OF COMPANIES (CORPORATE SOCIAL RESPONSIBILITY POLICY) RULES, 2014

ANNUAL REPORT DETAILS OF THE CSR ACTIVITIES

1. A brief outline of the Company's CSR policy, including overview of projects or programs proposed to be undertaken and a reference to the web-link to the CSR policy and projects or programs.
The CSR Policy is available on the Company's website. The web link of the same is www.kannapiran.co.in. A gist of the programs that the Company can undertake under the CSR policy is mentioned below.
The Company had proposed to undertake activities relating to rural development including livestock development, community irrigation, water conservation, etc., for the Financial Year 2018-19
The activities and funding are monitored internally by the Company.
2. The Composition of the CSR Committee.
Mr KG Balakrishnan (Chairman);
Mr K N V Ramani (Independent Director);
Mr A Velusamy (Director).
3. Average net profit of the Company for last three Financial Years.
The average Net Profit for the last three years is ₹ 1044.75 lakhs.
4. Prescribed CSR Expenditure (two percent of the amount as in item 3 above)
The Company is required to spend ₹ 20.89 lakh towards CSR for the Financial Year 2018-19.
5. Details of CSR spent during the Financial Year.
 - a. Total amount spent in the financial year ₹ 20.90 lakhs.
 - b. Amount unspent, if any : ₹ Nil
 - c. Manner in which the amount spent during the financial year detailed below: (₹ in Lakhs)

(1) Sr. No	(2) CSR project or activity identified	(3) Sector in which the project is covered	(4) Projects or programs (1) Local area or other (2) Specify the State and District where projects or programs were undertaken	(5) Amount outlay (budget) project or programs wise	(6) Amount spent on the projects or programs Sub-heads : 1) Direct expenditure on projects 2) Overheads:	(7) Cumulative expenditure upto the reporting period	(8) Amount spent : Direct or through implementing agency
1.	Transfer to Sri Kannapiran Mills Trust Foundation	-	-	20.90	20.90	20.90	Through Sri Kannapiran Mills Trust Foundation

6. In case the Company has failed to spend the two percent of the average net profit of the last three financial years or any part thereof, the Company shall provide the reasons for not spending the amount in its Board report.
The Company has fully spent the CSR expenses for 2018-19 as detailed above. The Company has transferred ₹20.90 lakhs to Sri Kannapiran Mills Trust Foundation. Sri Kannapiran Mills Trust Foundation is a trust set up exclusively for CSR activities. The said Trust is in the process of identifying specific approved CSR projects where the amount would be spent.
7. Pursuant to the Companies (Corporate Social Responsibility Policy) Rules, 2014, we hereby confirm that the CSR Committee has implemented and monitored the CSR initiatives in line with CSR Objectives and Policy of the Company.

Coimbatore
28.02.2020

For and on behalf of the Board
KG Balakrishnan
 Chairman
 DIN : 00002174

Sri Kannapiran Mills Limited

Contents of CSR Policy

(Approved by the Board of Directors on 04.06.2015)

Our aim is to be one of the most respected Companies in India delivering superior and sustainable value to all our customers, business partners, shareholders, employees and host communities.

The CSR initiatives focused on holistic development of host communities and create social, environmental and economic value to the society.

The Company's commitment to CSR projects and programs will be by investing resources into any of the following areas.

- ★ Improving the quality of life in rural areas;
- ★ Eradicating hunger, poverty and malnutrition;
- ★ Promoting healthcare including preventive healthcare;
- ★ Employment enhancing vocational skills;
- ★ Promotion of education including investment in technology in schools;
- ★ Ensuring environmental sustainability including measures for reducing inequalities faced by socially and economically backward groups;
- ★ Promoting sports including rural and Olympic sports;
- ★ Contribution to funds for promoting technology;
- ★ Investing in various rural development projects;
- ★ Contributing to the Prime Minister's National Relief Fund or any other fund setup by the Central Government for development and relief; and
- ★ Other areas approved by the CSR Committee that are covered in the CSR Rules as amended from time-to-time.

ANNEXURE 3

FORM NO. AOC-2

(Pursuant to clause (h) of sub-section (3) of section 134 of the Act and Rule 8(2) of the Companies (Accounts) Rules, 2014)

Form for disclosure of particulars of contracts/arrangements entered into by the company with related parties referred to in sub-section (1) of section 188 of the Companies Act, 2013 including certain arms length transactions under third proviso thereto

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

There were no contracts or arrangements or transactions not at arm's length basis

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

S. No.	Name of the related party and nature of relationship	Nature of Contracts/ arrangements/ transactions	Duration of the contracts/ arrangements/ transactions	Salient terms of the contracts or arrangements or transactions including the value, if any	Date(s) of approval by the Board, if any	Amount paid as advances if any
1.	KG Denim Limited Section 2(76)(v) Public Company in which a Directors holds along with his relatives more than 2% of its paid up share capital.	Conversion Contract	3 years till 25.09.2021	Conversion of cotton / fibre into yarn covered under Section 188(1)(d) of Companies Act, 2013. For the year 2018-19 Conversion Charges (Receipt) ₹ 3844.79 lakhs	18.06.2018, 21.08.2018, 20.10.2018	Nil

Coimbatore
28.02.2020

For and on behalf of the Board
KG Balakrishnan
Chairman
DIN : 00002174

Sri Kannapiran Mills Limited

ANNEXURE 4

FORM NO. MGT 9

EXTRACT OF ANNUAL RETURN

As on financial year ended on 31.03.2019

Pursuant to Section 92 (3) of the Companies Act, 2013 and rule 12(1) of the Company (Management & Administration) Rules, 2014.

I. REGISTRATION & OTHER DETAILS:

1.	CIN	U17111TZ1946PLC000188
2.	Registration Date	02/07/1946
3.	Name of the Company	Sri Kannapiran Mills Limited
4.	Category/Sub-category of the Company	Textiles
5.	Address of the Registered office & contact details	Post Bag No.1, Sowripalayam, Coimbatore – 641 028. Phone No. 0422-2351111
6.	Whether listed company	No
7.	Name, Address & contact details of the Registrar & Transfer Agent, if any.	Cameo Corporate Services Limited "Subramanian Building", No.1, Club House Road, Chennai - 600 002. Phone : (044) 28460390 (5 lines), E-mail : narasimhan@cameoindia.com

II. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY (All the business activities contributing 10 % or more of the total turnover of the company shall be stated)

S. No.	Name and Description of main products / services	NIC Code of the Product / service	% to total turnover of the company
1	Cotton Spinning in Mills	2351	47%
2	Weaving of Textiles	1312	49%

III. PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANY

S.No	Name and Address of the company	CIN/GLN	Holding/Subsidiary/ Associate	% of shares held	Applicable Section
Nil					

IV. SHARE HOLDING PATTERN (Equity Share Capital Breakup as percentage of Total Equity)

A. Category-wise Share Holding

Category of Shareholders	No. of Shares held at the beginning of the year[As on 31-March-2018]				No. of Shares held at the end of the year[As on 31-March-2019]				% Change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
A. Promoters									
(1) Indian									
a) Individual/ HUF	-	2743845	2743845	75.45		2753532	2753532	75.71	0.26
b) Central Govt									
c) State Govt(s)									
d) Bodies Corp.	-	519580	519580	14.29		519580	519580	14.29	
e) Banks / FI									
f) Any other									
Total shareholding of Promoter (A)	-	3263425	3263425	89.74		3273112	3273112	90.00	0.26

Sri Kannapiran Mills Limited

Category of Shareholders	No. of Shares held at the beginning of the year[As on 31-March-2018]				No. of Shares held at the end of the year[As on 31-March-2019]				% Change
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
B. Public Shareholding									
1. Institutions	-	-	-	-	-	-	-	-	-
a) Mutual Funds	-	-	-	-	-	-	-	-	-
b) Banks / FI	-	-	-	-	-	-	-	-	-
c) Central Govt	-	-	-	-	-	-	-	-	-
d) State Govt(s)	-	-	-	-	-	-	-	-	-
e) Venture Capital Funds	-	-	-	-	-	-	-	-	-
f) Insurance Companies	-	-	-	-	-	-	-	-	-
g) FIs	-	-	-	-	-	-	-	-	-
h) Foreign Venture Capital Funds	-	-	-	-	-	-	-	-	-
i) Others (specify)	-	-	-	-	-	-	-	-	-
Sub-total (B)(1):-	-	-	-	-	-	-	-	-	-
2. Non-Institutions									
a) Bodies Corp.	-	3696	3696	0.10	-	3696	3696	0.10	
i) Indian	-	-	-	-	-	-	-	-	-
ii) Overseas	-	-	-	-	-	-	-	-	-
b) Individuals	-	-	-	-	-	-	-	-	-
i) Individual shareholders holding nominal share capital upto ₹ 1 lakh	-	195057	195057	5.36	-	185370	185370	5.10	- 0.26
ii) Individual shareholders holding nominal share capital in excess of ₹ 1lakh	-	174301	174301	4.79	-	174301	174301	4.79	
c) Others (specify)	-	-	-	-	-	-	-	-	-
Non Resident Indians	-	-	-	-	-	-	-	-	-
Overseas Corporate Bodies	-	-	-	-	-	-	-	-	-
Foreign Nationals	-	-	-	-	-	-	-	-	-
Clearing Members	-	-	-	-	-	-	-	-	-
Trusts	-	-	-	-	-	-	-	-	-
Foreign Bodies – D R	-	-	-	-	-	-	-	-	-
Sub-total (B)(2):-	-	373054	373054	10.25	-	363367	363367	9.99	- 0.26
Total Public Shareholding (B)=(B)(1)+ (B)(2)	-	373054	373054	10.25	-	363367	363367	9.99	- 0.26
C. Shares held by Custodian for GDRs & ADRs	-	-	-	-	-	-	-	-	-
Grand Total (A+B+C)	-	3636479	3636479	100	-	3636479	3636479	100	Nil

Sri Kannapiran Mills Limited

B) Shareholding of Promoter-

S. No	Shareholder's Name	Shareholding at the beginning of the year 31-March-2018			Shareholding at the end of the year 31-March-2019			% change in shareholding during the year
		No. of Shares	% of total Shares of the company	% of Shares Pledged / encumbered to total shares	No. of Shares	% of total Shares of the company	% of Shares Pledged / encumbered to total shares	
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
1	Mr KG Balakrishnan	791516	21.76	-	791516	21.76	-	Nil
2	Mrs B Sathyabama	280742	7.72	-	280742	7.72	-	Nil
3	Mr B Srihari	196275	5.40	-	205962	5.66	-	0.26
4	Mr B Sriramulu	175040	4.81	-	175040	4.81	-	Nil
5	Mrs Deepika Karthikeyan	800	0.02	-	800	0.02	-	Nil
6	Mr Pranav Ram	105702	2.91	-	105702	2.91	-	Nil
7	Ms Aadya Srihari	108174	2.97	-	108174	2.97	-	Nil
8	Mrs T Anandhi	134285	3.69	-	134285	3.69	-	Nil
9	Dr G Bakthavathsalam	151607	4.17	-	151607	4.17	-	Nil
10	Mrs B Dhanalakshmi	26550	0.73	-	26550	0.73	-	Nil
11	Mr B Ashok	32000	0.88	-	32000	0.88	-	Nil
12	Mrs R Vasanthi	31680	0.87	-	31680	0.87	-	Nil
13	Mrs B Dhanalakshmi	16000	0.44	-	16000	0.44	-	Nil
14	Dr G Bakthavathsalam	19616	0.54	-	19616	0.54	-	Nil
15	Dr G Bakthavathsalam	19600	0.54	-	19600	0.54	-	Nil
16	Mr G Kannappan	17981	0.49	-	17981	0.49	-	Nil
17	Mr G Ramaswamy	99333	2.73	-	99333	2.73	-	Nil
18	Mrs R Shantahmani	35488	0.97	-	35488	0.97	-	Nil
19	Mr G Ramaswamy	28000	0.77	-	28000	0.77	-	Nil
20	Mr G Vijayakumar	9673	0.27	-	9673	0.27	-	Nil
21	Crocodile (India) Private Limited	500000	13.75	-	500000	13.75	-	Nil
22	G R V Investments Private Limited	350	0.01	-	350	0.01	-	Nil
23	G V Investments Private Limited	350	0.01	-	350	0.01	-	Nil
24	G K Investments Private Limited	300	0.01	-	300	0.01	-	Nil
25	Sri Selvavinayagar Investment Private Ltd	1792	0.05	-	1792	0.05	-	Nil
26	Sri Ranganathaswamy Investment Private Ltd	1400	0.04	-	1400	0.04	-	Nil
27	Sree Manneswaraswamy Investments Private Ltd	800	0.02	-	800	0.02	-	Nil
28	KG Fabriks Limited	10000	0.27	-	-	-	-	Nil
29	K G Denim Limited	4588	0.12	-	4588	0.13	-	Nil
30	Mrs Niketana Thulasidharan	73228	2.01	-	73228	2.01	-	Nil
31	Mr Sailendra	73228	2.01	-	73228	2.01	-	Nil
32	Mr G Kannappan	47504	1.31	-	47504	1.31	-	Nil

Sri Kannapiran Mills Limited

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
33	Mr G Kannappan	40048	1.1	-	40048	1.1	-	Nil
34	Mrs K Krithika	52116	1.43	-	52116	1.43	-	Nil
35	Mrs V Geethalakshmi	19104	0.53	-	19104	0.53	-	Nil
36	Mrs V Sanjana	25924	0.71	-	25924	0.71	-	Nil
37	Mrs V Sariitha Santhanalakshmi	27124	0.74	-	27124	0.74	-	Nil
38	Mrs V Geethalakshmi	16000	0.44	-	16000	0.44	-	Nil
39	Mrs V Geethalakshmi	32960	0.91	-	32960	0.91	-	Nil
40	Mr G Vijayakumar	16600	0.46	-	16600	0.46	-	Nil
41	Mr G Vijayakumar	20000	0.55	-	20000	0.55	-	Nil
42	Mrs R Annush	9524	0.26	-	9524	0.26	-	Nil
43	Mr R Ashyanth	9523	0.26	-	9523	0.26	-	Nil

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

SN	Particulars	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
	Mr B Srihari				
	At the beginning of the year 01.04.2018	196275	5.40		
	Purchase 21.04.2018	2724	0.07	196275	5.40
	Purchase 25.06.2018	500	0.02	198999	5.47
	Purchase 11.08.2018	2629	0.07	199499	5.49
	Purchase 01.10.2018	3834	0.10	202128	5.56
	At the beginning of the year 31.03.2019	205962	5.66	205962	5.66

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

SN	For Each of the Top 10 Shareholders	Shareholding at the beginning of the year (31-March-2018)		Cumulative Shareholding during the year (31-March-2019)	
		No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
1	Mr. S B V Guptha	92727	2.52	92727	2.52
2	Mrs. Kalamanisoundar	43426	1.19	43426	1.19
3	Mr. C D Kumaravel	22178	0.61	22178	0.61
4	Mr. S Gopinath	15970	0.44	15970	0.44
5	Mrs. Usha Umapathi	8800	0.24	8800	0.24
6	Mrs. V Krishnaveni	4960	0.14	4960	0.14
7	Mr. K S Jeyaraman	4820	0.12	4820	0.12
8	Mr. Mahendra Girdharlal	4472	0.12	4472	0.12
9	Mr. G S Hari Ganesh	4080	0.11	4080	0.11
10	Mr. A Natesan Chettiar	4000	0.11	4000	0.11

Sri Kannapiran Mills Limited

E) Shareholding of Directors and Key Managerial Personnel:

SN	Shareholding of each Directors and each Key Managerial Personnel	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
1	Mr KG Balakrishnan	791516	21.76	791516	21.76
2	Dr G Bakthavathsalam	151607	4.17	151607	4.17
3	Mr B Sriramulu	175040	4.81	175040	4.81
4	Mr B Srihari At the beginning of the year Purchase 21.04.2018 Purchase 25.06.2018 Purchase 11.08.2018 Purchase 01.10.2018 At the end of the year	196275 2724 500 2629 3834	5.40	196275 198999 199499 202128 205962	5.40 5.47 5.49 5.56 5.66
5	Mr A Velusamy	800	0.02	800	0.02
6	Mr K N V Ramani	1516	0.04	1516	0.04
7	Mr K B Nagendra Murthy	Nil	Nil	Nil	Nil
8	Mr V Arunachalam	Nil	Nil	Nil	Nil

V) INDEBTEDNESS -Indebtedness of the Company including interest outstanding/accrued but not due for payment.

(₹)

	Secured Loans excluding deposits	Unsecured Loans	Total Indebtedness
Indebtedness at the beginning of the financial year			
i) Principal Amount	1 20 64 54 132	28 50 000	1 20 93 04 132
ii) Interest due but not paid	5 27 316	-	5 27 316
iii) Interest accrued but not due	-	-	-
Total (i+ii+iii)	1 20 69 81 448	28 50 000	1 20 98 31 448
Change in Indebtedness during the financial year			
* Addition	9 28 53 052	-	9 28 53 052
* Reduction	11 80 15 880	12 25 000	11 92 40 880
Net Change	-2 51 62 828	-12 25 000	-2 63 87 828
Indebtedness at the end of the financial year			
i) Principal Amount	1 18 15 73 692	16 25 000	1 18 31 98 692
ii) Interest due but not paid	2 44 928	-	2 44 928
iii) Interest accrued but not due	-	-	-
Total (i+ii+iii)	1 18 18 18 620	16 25 000	1 18 34 43 620

Sri Kannapiran Mills Limited

VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL-

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

SN.	Particulars of Remuneration	Name of MD / WTD / Manager			Total Amount
		B Sriramulu	B Srihari	Dr G Bakthavathsalam	
1	Gross salary (a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	11 00 000	11 00 000	9 25 000	31 25 000
	(b) Value of perquisites u/s 17(2) Income-tax Act, 1961	1 65 000	1 65 000	1 35 000	4 65 000
	(c) Profits in lieu of salary under section 17(3) Income-tax Act, 1961	-	-	-	-
2	Stock Option	-	-	-	-
3	Sweat Equity	-	-	-	-
4	Commission - as % of profit - others, specify...	-	-	-	-
5	Others, please specify Medical	-	20 480	-	20 480
	Total (A)	12 65 000	12 85 480	10 60 000	36 10 480
	Ceiling as per the Act				

* Remuneration of ₹ 12.02 lakhs of Mr A Velusamy, Whole Time Director of KG Fabriks Limited, Transferor Company not included

B. Remuneration to other directors

SN.	Particulars of Remuneration	Name of Directors			Total Amount
1	Independent Directors	K N V Ramani	K B Nagendra Murthy	V Arunachalam	
	Fee for attending board committee meetings	60500	35000	30000	125500
	Commission	-	-	-	-
	Others, please specify	-	-	-	-
	Total (1)	60500	35000	30000	125500
2	Other Non-Executive Directors	KG Balakrishnan			
	Fee for attending board committee meetings	25000	-	-	25000
	Commission	-	-	-	-
	Others, please specify	-	-	-	-
	Total (2)	25000	-	-	25000
	Total (B)=(1+2)	85500	35000	30000	150500
	Total Managerial Remuneration				150500
	Overall Ceiling as per the Act				

* Sitting fees of ₹ 1.90 lakhs paid to the Directors of KG Fabriks Limited, Transferor Company not included

Sri Kannapiran Mills Limited

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

SN	Particulars of Remuneration	Key Managerial Personnel			
		CEO	CS	CFO	Total
1	Gross salary	-	-	-	-
	(a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	-	-	9.35	9.35
	(b) Value of perquisites u/s 17(2) Income-tax Act, 1961	-	-	-	-
	(c) Profits in lieu of salary under section 17(3) Income-tax Act, 1961	-	-	-	-
2	Stock Option	-	-	-	-
3	Sweat Equity	-	-	-	-
4	Commission	-	-	-	-
	- as % of profit	-	-	-	-
	others, specify...	-	-	-	-
5	Others, please specify	-	-	-	-
	Total	-	-	9.35	9.35

* Remuneration of ₹ 8.51 lakhs paid to Chief Financial Officer and Company Secretary of KG Fabriks Limited, Transferor Company not included.

VII. PENALTIES / PUNISHMENT/ COMPOUNDING OF OFFENCES:

Type	Section of the Companies Act	Brief Description	Details of Penalty / Punishment/ Compounding fees imposed	Authority [RD / NCLT/ COURT]	Appeal made, if any (give Details)
A. COMPANY					
Penalty	-	-	-	-	-
Punishment	-	-	-	-	-
Compounding	-	-	-	-	-
B. DIRECTORS					
Penalty	-	-	-	-	-
Punishment	-	-	-	-	-
Compounding	-	-	-	-	-
C. OTHER OFFICERS IN DEFAULT					
Penalty	-	-	-	-	-
Punishment	-	-	-	-	-
Compounding	-	-	-	-	-

Sri Kannapiran Mills Limited

ANNEXURE 5

Secretarial Audit Report for the Financial Year ended 31.03.2019

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

To,

The Members,

Sri Kannapiran Mills Limited

CIN: U1711TZ1946PLC000188

Sowripalayam, Coimbatore-641028.

I have conducted the secretarial audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by Sri Kannapiran Mills Limited, (hereinafter called the company). Secretarial Audit was conducted in a manner that provided me a reasonable basis for evaluating the corporate conducts/statutory compliances and expressing my opinion thereon.

Based on my verification of 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, I hereby report that in my opinion, the company has, during the audit period covering the financial year ended on 31st March, 2019 complied with the statutory provisions listed hereunder and also that the Company has proper Board-processes and compliance-mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

I have examined the books, papers, minute books, forms and returns filed and other records maintained by Sri Kannapiran Mills Limited for the financial year ended on 31st March 2019 according to the provisions of:

- (i) The Companies Act, 2013 (the Act) and the rules made thereunder.
- (ii) The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made thereunder.
- (iii) The Depositories Act, 1996 and the Regulations and Byelaws framed thereunder.
- (iv) Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings.
- (v) I am informed that for the Financial Year ended March 31st 2019 the company was not required to maintain books, papers, minutes books, forms and returns or other records according to the provisions of the regulations and guidelines prescribed under The Securities and Exchange Board of India Act 1992, ('SEBI ACT') as the company is not a listed entity.

I have also examined compliance with the Secretarial Standards(SS- 1) and(SS-2) issued by The Institute of Company Secretaries of India.

I 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.

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 the committee of Directors, as the case may be. I further report that during the period covered under the audit, the company has obtained necessary approval of the shareholders through Postal Ballot on 5.11.2018 and has altered the Object Clause of Memorandum of Association and adopted a new set of Articles of Association and complied with the provisions of the Companies Act, 2013 read with Rules made thereunder.

Sri Kannapiran Mills Limited

Other than above, there were no instances of Public/Rights/Preferential issue of shares/debentures/sweat equity, Redemption/buy-back of securities and no major decisions were taken by the members in pursuant to Section 180 of the Companies Act, 2013, Reconstruction etc, Foreign Technical collaborations.

I further report that there are adequate systems and processes in the company commensurate with the size and operations of the company to monitor and ensure compliance with applicable laws, rules, regulations and guidelines.

I further report that during the Audit period, the following major event happened after the Audit period which is deemed to have major bearing on the Company's affairs in pursuance of the above referred laws, rules, regulations, guidelines, standards etc.,

A scheme of amalgamation for the merger of M/s KG Fabriks Limited (CIN: U65999TZ1994PLC005630) with the Company was approved by the Honourable National Company Law Tribunal, Chennai Bench vide its order dated 21st February, 2020 and the certified copy of the order was filed with the Registrar of Companies, Coimbatore, Tamilnadu on 26th February, 2020.

M.R. L. Narasimha

Practising Company Secretary

FCS No.2851

C.P.No. 799

UDIN: F002851A000578899

Date: 28-02-2020

Place: Coimbatore

ANNEXURE A TO THE SECRETARIAL AUDIT REPORT OF EVEN DATE

To,

The Members,

Sri Kannapiran Mills Limited,

CIN: U1711TZ1946PLC000188

Sowripalayam, Coimbatore - 641 028.

My Secretarial Audit Report of even date is to be read along with this letter.

1. It is the responsibility of the management of the Company to maintain secretarial records, devise proper systems to ensure compliance with the provisions of all applicable laws and regulations and to ensure that the systems are adequate and operate effectively.
2. My responsibility is to express an opinion on these secretarial records, systems, standards and procedures based on our audit.
3. Wherever required, I have obtained the management's representation about the compliance of laws, rules and regulations and happening of events etc.,
4. 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.

M.R. L. Narasimha

Practising Company Secretary

FCS No.2851

C.P.No. 799

UDIN: F002851A000578899

Date: 28-02-2020

Place: Coimbatore

Sri Kannapiran Mills Limited

INDEPENDENT AUDITOR'S REPORT

To

The Members of SRI KANNAPIRAN MILLS LIMITED, Coimbatore.

Report on the Financial Statements

Opinion

1. We have audited the accompanying financial statements of **SRI KANNAPIRAN MILLS LIMITED** ("the Company"), which comprise the Balance Sheet as at March 31, 2019, and the Statement of Profit and Loss and Statement of Cash Flows 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 Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at March 31, 2019, and its profit, total comprehensive income, and its cash flows for the year ended on that date.

Basis for Opinion

3. We have conducted our audit of the financial statement in accordance with the standards on Auditing specified under Section 143(10) of the Act. Our responsibilities under the standards are further described in the Auditor's responsibilities for the audit of the financial statements section of the report. We are independent of the company in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India together with the ethical requirements that are relevant to our audit of financial statements under the provisions of the Act and the Rules made 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

4. We draw your attention to Note No 28 (1) to the financial statements, which states that the National Company Law Tribunal approved the Scheme of Amalgamation between the company and KG Fabriks Limited (the Scheme) on 21st February, 2020 and the same was subsequently filed with the relevant regulatory authorities on 26th February, 2020 and has become effective from that date. The figures disclosed in the financial statements includes financial information of the erstwhile KG Fabriks Limited for the period from April 1, 2018, being the Appointed date to March 31, 2019 and the same have accordingly been given in the financial statements of the company. Our opinion is not modified in respect of this matter.

Key Audit Matters

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.

Reporting of key audit matters as per SA 701, Key Audit Matters are not applicable to the Company as it is an unlisted company.

Sri Kannapiran Mills Limited

Other Information

6. The Company's board of directors is responsible for the preparation of the other information. The other information comprises the information included in the Board's Report including Annexures to Board's Report but does not include the financial statements and our auditor's report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the standalone financial statements or our knowledge obtained during the course of our audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and those charged with governance for the financial statements

7. The Company's Board of Directors are 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 financial position, financial performance and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the accounting standards specified under Section 133 of the Act. 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 statement that give a true and fair view and are free from material misstatement, whether due to fraud or error.
8. 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. The Board of Directors are also responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

9. 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 SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Sri Kannapiran Mills Limited

10. As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional scepticism 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 Companies Act, 2013, 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.
11. 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.
12. 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.
13. 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.

Sri Kannapiran Mills Limited

Other Matters

14. The financial statements include financial information of the amalgamating company (M/s K G Fabriks Limited) whose financial information reflect total assets of ₹ 14115.23 Lakhs and net assets of ₹ 3774.31 Lakhs as at 31st March 2019 and total income of ₹ 13473.61 Lakhs of the amalgamating company for the said period ending 31st March 2019. Our opinion is not modified in respect of the above matters.

Report on other legal and regulatory requirements

15. As required by the Companies (Auditor's Report) Order, 2016 ("the Order"), issued by the Central Government of India in terms of sub-section (11) of Section 143 of the Companies Act, 2013, we give in the **Annexure A**, a statement on the matters specified in paragraphs 3 and 4 of the Order, to the extent applicable.

16. 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 purposes of our audit;
- (b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;
- (c) The balance sheet, the statement of profit and loss, and the cash flow statement dealt with by this report are in agreement with the books of account;
- (d) In our opinion, the aforesaid financial statements comply with the accounting standards specified under Section 133 of the Act, read with rule 7 of the Companies (Accounts) Rules, 2014;
- (e) On the basis of the written representations received from the directors as on March 31, 2019 taken on record by the board of directors, none of the directors is disqualified as on March 31, 2019 from being appointed as a director in terms of Section 164 (2) of the Act;
- (f) With respect to the adequacy of the internal financial controls with reference to financial reporting of the company and the operating effectiveness of such controls, refer to our separate report in **Annexure B**.
- (g) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us;
 - i. The Company does not have any pending litigations which would impact its financial position;
 - ii. The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses; and
 - iii. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Company.

For **GOPALAIYER AND SUBRAMANIAN**
Chartered Accountants
(Firm Registration Number: 000960S)

(Sd/-) **CA.R.MAHADEVAN**
Partner

(Membership No. 027497)
UDIN: 20027497AAAACL2423

Place: Coimbatore
Date : 28.02.2020

Sri Kannapiran Mills Limited

ANNEXURE 'A' TO THE INDEPENDENT AUDITOR'S REPORT

(Referred to in paragraph 2 under 'Report on Other Legal and Regulatory Requirements' section of our report to the Members of **SRI KANNAPIRAN MILLS LIMITED** of even date)

i. In respect of the Company's fixed assets:

- (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) The Company has a program of verification to cover all the items of fixed assets in a phased manner which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. Pursuant to the program, certain fixed assets were physically verified by the management during the year. According to the information and explanations given to us, no material discrepancies were noticed on such verification.
- (c) According to the information and explanations given to us, the records examined by us and based on the examination of the conveyance deeds provided to us, we report that, the title deeds, comprising all the immovable properties of land and buildings which are freehold, are held in the name of the Company as at the balance sheet date.

ii. In respect of Inventory:

As explained to us, inventories have been physically verified by the management at regular intervals during the year. In our opinion, the frequency of such verification is reasonable and no discrepancies were noticed at the time of verification.

iii. In respect of Loans and Advances granted:

According to the information and explanations given to us, the Company has not granted unsecured loans to any corporate, covered in the register maintained under Section 189 of the Companies Act, 2013.

iv. In respect of Loans and Investments:

In our opinion and according to the information and explanations given to us, the Company has complied with the provisions of Sections 185 and 186 of the Act in respect of grant of loans, making investments and providing guarantees and securities, as applicable.

v. In respect of Deposits accepted:

The company has not accepted deposits from the public within the meaning of Section 73 to 76 or any other relevant provisions of the Companies Act, 2013 or the rules made there under. Hence the comment to be made on compliance of provisions or rules or other directives does not arise.

vi. In respect of Cost records:

The Central Government has prescribed maintenance of Cost Records under Section 148 (1) of the Companies Act, 2013. We have broadly reviewed the accounts and cost records of the Company maintained in pursuant to Companies (Cost Records and Audit) Rules 2014 as amended by the Central Government under sub-section (1) of Section 148 of Companies Act, 2013 and are of the opinion that, prima facie, the prescribed accounts and cost records have been made and maintained. We have not however, made a detailed examination of the cost records with a view to determine whether they are accurate or complete.

Sri Kannapiran Mills Limited

vii. In respect of statutory dues:

According to the information and explanations given to us,

- (a) The Company has generally been regular in depositing undisputed statutory dues, including Provident Fund, Employees' State Insurance, Income Tax, Sales Tax, Service Tax, Goods and Service Tax, Value Added Tax, Customs Duty, Excise Duty, Cess and other material statutory dues applicable to it with the appropriate authorities.
- (b) There were no undisputed amounts payable in respect of Provident Fund, Employees' State Insurance, Income Tax, Sales Tax, Service Tax, Value Added Tax, Goods and Service Tax, Customs Duty, Excise Duty, Cess and other material statutory dues in arrears as at March 31, 2019 for a period of more than six months from the date they became payable.

viii. In respect of De-fault in repayment of loans:

Based on our audit procedures and according to the information and explanations given to us, we are of the opinion that the company has not defaulted in repayment of dues to financial institutions, banks or debenture holders.

ix. In respect of Application of Funds:

The Company has not raised any moneys by way of Initial Public Offer / Further Public Offer during the Year. In our opinion, the moneys raised by way of Term Loans during the year were applied for the purposes for which those are raised.

x. In respect of Frauds:

In our opinion and according to the information and explanations given to us, no fraud by the Company and no fraud on the Company by its officers / employees has been noticed or reported during the year.

xi. In respect of Managerial Remuneration:

The Managerial Remuneration has been paid / provided in accordance with the requisite approvals mandated by Section 197 read with Schedule V to the Companies Act, 2013.

xii. In respect of Nidhi Companies:

The Company is not a Nidhi Company and therefore reporting as per Para 3 Clause 12 of the Order is not applicable to the Company.

xiii. In respect of related party transactions:

In our opinion, all the Related Party Transactions entered into by the Company during the year are in compliance with the provisions of Section 177 and 188 of the Act and the details thereof have been disclosed in the Financial Statements as required by the Accounting standards.

xiv. In respect of preferential allotment / private placement:

The Company has not made any preferential allotment / private placement of shares during the year and therefore Para 3 Clause 14 of the Order is not applicable to the Company.

KG Sri Kannapiran Mills Limited

xv. In respect of non-cash transactions with directors:

During the year, the Company has not entered into any non-cash transactions with directors / persons connected with him as stipulated u/s. 192 of the Act. Hence reporting as per Para 3 Clause 15 of the Order is not applicable to the Company.

xvi. In respect of registration with RBI:

In our opinion and based on our verification, we report that the Company is not required to be registered u/s 45-IA of the Reserve Bank of India Act, 1934.

For GOPALAIYER AND SUBRAMANIAN

Chartered Accountants
(Firm Registration Number: 000960S)

(Sd/-) CA.R.MAHADEVAN
Partner
(Membership No. 027497)

Place: Coimbatore
Date : 28.02.2020

Sri Kannapiran Mills Limited

ANNEXURE "B" TO THE INDEPENDENT AUDITOR'S REPORT OF EVEN DATE ON THE FINANCIAL STATEMENTS OF SRI KANNAPIRAN MILLS LIMITED

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

1. We have audited the internal financial controls over financial reporting of **SRI KANNAPIRAN MILLS LIMITED** ("the Company") as of March 31, 2019 in conjunction with our audit of the financial statements of the Company for the year ended on that date.

Management's Responsibility for Internal Financial Controls

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

Auditor's Responsibility

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

Sri Kannapiran Mills Limited

Meaning of Internal Financial Controls over Financial Reporting

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

Inherent Limitations of Internal Financial Controls over Financial Reporting

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

Opinion

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

For **GOPALAIYER AND SUBRAMANIAN**
Chartered Accountants
(Firm Registration Number: 000960S)

(Sd/-) **CA.R.MAHADEVAN**
Partner
(Membership No. 027497)

Place: Coimbatore
Date : 28.02.2020

Sri Kannapiran Mills Limited

Balance Sheet as at 31st March, 2019

(₹ in Lakhs)

Particulars	Note No.	31-03-2019	31-03-2018
EQUITY AND LIABILITIES			
Shareholders' Funds			
Share capital	2	6 77.00	3 63.66
Reserves and Surplus	3	80 69.43	51 84.63
Non-Current Liabilities			
Long Term Borrowings	4	37 11.77	16 39.16
Deferred Tax Liabilities (Net)	5	8 81.09	11 66.00
Other Payable	6	2 06.17	1 11.10
Long Term Provisions	7	3 27.33	2 49.84
Current Liabilities			
Short Term Borrowings	8	69 24.86	26 33.08
Trade Payables	9	61 22.88	33 52.88
Due to Micro, Small & Medium Enterprises		18.99	—
Other Current Liabilities	10	28 11.57	11 34.41
Short-Term Provisions	11	84.76	41.92
TOTAL		298 35.85	158 76.68
ASSETS			
Non-Current Assets			
Fixed Assets			
(i) Tangible Assets (Property, Plant & Equipments)	12	147 36.71	75 29.49
(ii) Intangible Assets		0.05	0.05
(iii) Capital Work-in-Progress		—	—
Non-current investments	13	5 81.03	8 55.13
Long-Term Loans and Advances	14	11 46.37	6 14.15
Other Non Current Assets	15	3 13.14	1 01.56
Current Assets			
Inventories	16	54 75.19	13 67.40
Trade Receivables	17	47 50.41	40 64.82
Cash and Cash Equivalents	18	4 91.27	2 73.60
Short-Term Loans and Advances	19	19 27.72	8 32.39
Other Current Assets	20	4 13.96	2 38.09
TOTAL		298 35.85	158 76.68
Significant Accounting Policies	1		
Additional information to Financial statement	28		
See accompanying notes to the financial statements			
In terms of our Report of even date		(Sd/-) KG Balakrishnan	
For Gopalaier and Subramanian		Chairman	
Firm Regd. No.000960S		DIN No : 00002174	
Chartered Accountants		(Sd/-) B Sriramulu	(Sd/-) B Srihari
(Sd/-) CA R Mahadevan		Managing Director	Managing Director
Coimbatore		DIN No : 00002560	DIN No : 00002556
28 th February, 2020	Membership No. 027497	(Sd/-) G Krishnakumar	
		Chief Financial Officer	

Sri Kannapiran Mills Limited

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

(₹ in Lakhs)

Particulars	Note No.	31-03-2019	31-03-2018
REVENUE			
Revenue from Operations	21	304 56.15	189 98.86
Other Income	22	4 74.83	1 43.19
Total Revenue		309 30.98	191 42.05
EXPENSES			
Cost of Materials consumed	23	149 45.46	76 76.01
Purchases of Stock in Trade		5 43.86	5 66.11
Changes in Inventories of Finished Goods and Work-in-Progress and Stock-in-Trade	24	- 2 25.92	3 62.08
Power & Fuel		30 53.42	23 21.41
Employee Benefits Expense	25	44 87.92	32 63.28
Finance Costs	26	17 62.44	8 15.71
Depreciation		8 49.75	4 61.26
Other Expenses	27	47 48.03	25 35.41
Total Expenses		301 64.96	180 01.27
Profit Before Tax		7 66.02	11 40.78
Tax Expense:			
Current Tax (MAT)		-1 10.46	-2 63.77
(Less) : Mat Credit Entitlement		1 10.46	—
Deferred Tax Liability		-39.53	-64.23
Income Tax for Prior Year		-74.73	-3.14
Profit After Tax		6 51.76	8 09.64
Earnings per Equity Share			
Basic and Diluted Earnings per Share (in ₹) (Face value ₹ 10/- per Share)		17.92	22.26
Significant Accounting Policies	1		
Additional Information to Financial statements	28		

See accompanying notes to the financial statements

**In terms of our Report of even date
For Gopalaier and Subramanian**

Firm Regd. No.000960S
Chartered Accountants

(Sd/-) CA R Mahadevan

Coimbatore
28th February, 2020

Partner
Membership No. 027497

(Sd/-) KG Balakrishnan
Chairman
DIN No : 00002174

(Sd/-) B Sriramulu
Managing Director
DIN No : 00002560

(Sd/-) B Srihari
Managing Director
DIN No : 00002556

(Sd/-) G Krishnakumar
Chief Financial Officer

Sri Kannapiran Mills Limited

CASH FLOW STATEMENT FOR THE YEAR ENDED 31st March 2019

(₹ in Lakhs)

PARTICULARS	31.03.2019	31.3.2018
A. CASH FLOW FROM OPERATING ACTIVITIES:		
Net profit before tax	766.02	11 40.78
Adjustments for:		
Depreciation	8 49.75	4 61.26
Profit on Sale of Assets	-2 74.85	-5.96
Interest Income	-46.14	-40.56
Dividend Income	-24.51	-23.07
Interest Paid	16 83.11	7 62.24
Operating profit before working capital changes	29 53.38	22 94.69
(Increase) / Decrease in Trade and Other Receivables	-1 45.24	-11 49.34
(Increase) / Decrease in Inventories	-72.21	573.98
Increase / (Decrease) in Trade and Other Payables	-81.29	44.52
Cash generated from operations	26 54.63	17 63.85
Direct Taxes Paid	-74.73	-1 46.54
Net cash from Operating Activities	25 79.90	16 17.31
B. CASH FLOW FROM INVESTING ACTIVITIES:		
Purchase of Fixed Assets	-11 62.00	-9 83.54
Proceeds from Sale of Fixed Assets	300.15	9.06
Sale of Investments	13.24	1 07.06
Purchase of Investment	--	-1 24.82
Interest Received	39.95	39.45
Dividend Received	24.51	23.07
Net Cash Used in Investing Activities	-7 84.15	-9 29.72
C. CASH FLOW FROM FINANCING ACTIVITIES :		
Long Term Borrowings Received	7 32.00	3 48.47
Long Term Borrowings Repaid	-8 46.24	-2 79.85
Short Term Borrowings	26.86	53.64
Interest Paid	-16 83.11	-7 85.10
Buy back of Shares	--	--
Net Cash Used In Financing Activities	-17 70.48	-6 62.84
Net Increase In Cash And Cash Equivalents	25.27	24.75
Cash and cash equivalents at beginning of the period	4 66.00	2 48.85
Cash and cash equivalents at end of the period	4 91.27	2 73.61
Components of Cash and cash equivalents as at 31st March		
Cash and cheques on hand	8.67	16.51
In Current Account	57.36	41.34
In Deposit Account	4 25.24	2 15.75
	4 91.27	2 73.61

See accompanying notes to the financial statements

**In terms of our Report of even date
For Gopalaier and Subramanian**

Firm Regd. No.000960S
Chartered Accountants

(Sd/-) CA R Mahadevan

Coimbatore .Partner
28th February, 2020 Membership No. 027497

(Sd/-) KG Balakrishnan
Chairman
DIN No : 00002174

(Sd/-) B Sriramulu
Managing Director
DIN No : 00002560

(Sd/-) B Srihari
Managing Director
DIN No : 00002556

(Sd/-) G Krishnakumar
Chief Financial Officer

Sri Kannapiran Mills Limited

1. Significant Accounting Policies

(In the order of applicability of Accounting Standards)

AS-1 DISCLOSURE AND BASIS OF ACCOUNTING

- a) The Financial Statements have been prepared under the Historical cost convention in accordance with the provisions of the Companies Act, 2013 and accounting principles generally accepted in India and comply with the Accounting Standards as prescribed under 133 of Companies Act, 2013 read with Rule 7 of the Companies (Accounts) Rules, 2014, provisions of Companies Act, 2013 to the extent notified. Accounting policies have been consistently applied 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.
- b) The Company has been consistently following the accrual basis of accounting in respect of its Income and Expenditure.
- c) The Accounts are prepared on the basis of Going Concern concept only.

AS-2 VALUATION OF INVENTORIES

Inventories are valued at lower of cost and net realizable value, where

- a) Cost of raw materials is determined on specific identification method
- b) Stock of stores, spares and packing materials is determined on weighted average method.
- c) Finished goods and work in progress is determined under FIFO method where cost includes conversion and other costs incurred in bringing the inventories to their present location and condition.

AS-3 CASH FLOW STATEMENT

Cash flows are reported using the indirect method, where by the profit before tax is adjusted for the effect of transactions of a non cash nature, any deferrals or accruals of past or future operating cash receipts or payments and items of income or expense associated with investing or financing cash flows. Cash and Cash equivalent include cash on hand and balances with banks in current and deposit accounts with necessary disclosure of cash and cash equivalent balances that are not available for you by the company.

AS-5 NET PROFIT/LOSS FOR THE PERIOD AND PRIOR PERIOD ITEMS

All items of income and expenses pertaining to the year are included in arriving at the net profit for the year unless specifically mentioned elsewhere in the financial statement or as required by Accounting Standards.

AS-6 DEPRECIATION ACCOUNTING

Depreciation on Fixed Assets has been provided on Straight line basis based on the balance useful life of the assets as prescribed in Schedule II of the Companies Act, 2013 effective from 01/04/2014. Depreciation on machinery & electrical machinery has been provided base on useful lives as applicable continuous process. In respect of additions and sales, pro rata depreciation is calculated from the date of purchase or to the date of sale as the case may be.

AS-9 REVENUE RECOGNITION

- a) Revenue from sale transactions is recognised as and when the property in the goods sold is transferred to the buyer for a definite consideration. Revenue from service transactions are recognised on the completion of the contract at the contracted rate and when there is no uncertainty regarding the amount of consideration or collectability.
- b) Sales as reported does not include GST.
- c) Proceeds of export sales of yarn are accounted on the basis of credit given by our bankers.
- d) Export incentives under DEPB licence and premium on transfer of Export incentives are accounted on accrual basis.
- e) Dividend income from investments is accounted in the year in which it is actually received.
- f) Revenue from Carbon credits are recognized based on issuance of CER certificate by UNFCEC
- g) Other incomes are accounted on accrual basis.

AS-10 ACCOUNTING FOR FIXED ASSETS

The cost of fixed assets is shown at historical cost less accumulated depreciation.

AS-11 FOREIGN CURRENCY TRANSACTIONS

Foreign currency transactions are recorded at the prevailing exchange rates at the time of initial recognition. Exchange differences arising on final settlement are recognized as income or expense in the profit and loss account. Outstanding balances of monetary items denominated in foreign currency are restated at closing exchange rates.

The premium or discount arising at the inception of forward exchange contracts is accounted as income or expense over the life of the contract. Any profit or loss arising on cancellation or renewal of forward exchange contract is recognized as income or as expense in the period in which they arise.

AS-13 ACCOUNTING FOR INVESTMENTS

Long term investments are stated at cost. A provision for diminution, if any, is made to recognise a decline, other than temporary, in the value of long term investments.

Sri Kannapiran Mills Limited

AS-15 EMPLOYEE BENEFITS

- a) Short term employee benefits (other than termination benefits) which are payable within 12 months after the end of the period in which the employees render service are accounted on accrual basis.
- b) **Defined Contribution Plans**
Company's contributions paid / payable during the year to Provident Fund, Superannuation Fund and ESIC are recognized in the profit and loss account.
- c) **Defined Benefit Plans**
Company's liabilities towards gratuity is determined using the projected unit credit method which considers each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation. Past services are recognized on a straight line basis over the average period until the amended benefits becomes vested. Actuarial gains or losses are recognized immediately in the statement of profit and loss account as income or expense. Obligation is measured at the present value of estimated future cash flows using a discounted rate

AS-16 BORROWING COSTS

Borrowing Costs that are attributable to the acquisition of construction of qualifying assets are capitalised as part of the cost of such assets. A qualifying asset is one that necessarily takes substantial period of time to get ready for intended use. All other borrowing costs are recognized as an expense in the period in which they are incurred.

AS-19 LEASES

Leases, where the lessor effectively retains substantially all the risks and benefits of ownership of the leased item, are classified as operating leases. Operating lease payments are recognized as an expense in the profit and loss account on a straight line basis over the lease term.

AS-20 EARNING PER SHARE

The earning considered in ascertaining the Company's earnings per share comprises of Net Profit after tax and includes post tax adjustments of prior period and extra-ordinary items.

AS-22 ACCOUNTING FOR TAXES ON INCOME

Deferred tax resulting from timing differences between book and tax profits is accounted under liability method at enacted or substantively enacted rate as on the balance sheet date. Deferred tax asset, other than those arising on account of unabsorbed depreciation or carried forward of losses under tax loss, are recognised and carried forward subject to consideration of prudence only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax asset can be realized.

Deferred tax asset, arising on account of unabsorbed depreciation or carried forward of losses under tax loss, are recognised and carried forward subject to consideration of prudence only to the extent that there is virtual certainty that sufficient future taxable income will be available against which such deferred tax asset can be realised.

Current tax is determined at the amount of tax payable in respect of estimated taxable income for the year.

AS-26 INTANGIBLE ASSETS

Software is being amortised over a period of 1-3 years depending on the licenses of the respective software.

AS-28 IMPAIRMENT OF ASSETS

An asset is impaired when the carrying amount of the asset exceeds its recoverable amount. An impairment loss is charged to the Profit and Loss account in the year in which an asset is identified as impaired.

AS-29 PROVISIONS, CONTINGENT LIABILITY AND CONTINGENT ASSETS

- a) Provisions involving degree of estimation in measurement are recognized when there is a present obligation as a result of past event and it is probable that there will be an outflow of resources.
- b) Contingent liabilities in respect of show cause notice received are considered only when they are converted to demands. Contingent liabilities are disclosed by way of notes to accounts.
- c) Contingent liability under various fiscal laws includes those in respect of which the company/department is in appeal.

OTHERS

SUNDRY DEBTORS AND ADVANCES

Specific debts and advances identified as irrecoverable are written off.

USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosures of contingent liabilities as at the date of the financial statements and reported amount of revenues and expenses during the reporting period. Actual results could differ from these estimates. Any revision to the estimates is recognized prospectively.

Sri Kannapiran Mills Limited

Notes forming part of financial statements

(₹ in Lakhs)

	Numbers 31.03.2019	Numbers 31.03.2018	Amount 31.03.2019	Amount 31.03.2018
2. SHARE CAPITAL				
Number and amount of Equity Shares Authorized	6000000	6000000	600.00	600.00
Add: addition on account of Scheme of Amalgamation Refer Para No.(1) (d) under Note 28	21000000	—	2100.00	—
Total	27000000	6000000	2700.00	600.00
Number and amount of Preference Shares Authorized	300000	300000	300.00	300.00
Add: addition on account of Scheme of Amalgamation Refer Para No.(1) (d) under Note 28	300000	—	300.00	—
Total	600000	300000	600.00	300.00
Number and amount of Equity Shares Issued	3709575	3709575	370.96	370.96
Number of Equity Shares Subscribed and Fully Paid up	3636479	3636479	363.65	363.65
Add: Forfeited Shares	100	100	0.01	0.01
Less: Reduction on account of amalgamation Refer Para No.(1)(d) under Note 28	10000	—	1.00	0.00
Total	3626579	3636579	362.66	363.66
Equity Shares - Pending Allotment on account of Amalgamation	1793449	—	179.34	—
Refer Para No. (1) (d) under Note 28	5420028	3636579	542.00	363.66
Preference Share Capital				
Preference Shares pending allotment on account of Amalgamation Refer Para No. (1) (d) under Note 28	135000	—	135.00	—
Total			677.00	363.66
Par value per Equity share (In ₹10 each)				
Reconciliation of number of shares				
Number of Equity Shares at the beginning	3636579	3636579		
Less : Reduction on account of Amalgamation	10000	—		
Add : Addition on account of Amalgamation Refer Para No. (1) (d) under Note 28	1793449	—		
Number of Equity Shares at the end of the reporting period	5420028	3636579		
Shareholders holding more than 5 percent Equity shares	No of Shares	No of Shares	% 2019	% 2018
Mr KG Balakrishnan	791516	791516	21.76%	21.76%
Mr B Srihari	205962	196275	5.66%	5.40%
Mrs B Sathyabama	280742	280742	7.72%	7.72%
Crocodile India Private Limited	500000	500000	13.75%	13.75%

Terms & Conditions of equity shares :

The Company has only one class of equity shares having a par value of ₹10 per share. Each Share holder is eligible for one vote per share.

In the event of liquidation the equity share holders are eligible to receive the remaining assets of the company after distribution of all preferential amounts in proportion of their share holding.

There are no shares allotted as fully paid without payments being received in cash, bonus shares or shares bought back immediately preceding five previous years. 46401 shares were bought back by the Company during the year 2016-17.

The redemption of 6% Cumulative Redeemable Preference Shares to be allotted to Transferee Company will be on 31.03.2024 as per the earlier terms of issue.

Sri Kannapiran Mills Limited

Notes forming part of financial statements

(₹ in Lakhs)

	Amount 31.03.2019	Amount 31.03.2018
3. RESERVES AND SURPLUS		
General Reserve		
As per last Balance Sheet	37 87.75	37 87.75
Add : additions through amalgamation		
Refer Para No. (1) (d) under Note 28	18.25	—
	38 06.00	37 87.75
Capital Redemption Reserve		
As per last Balance Sheet	4.64	4.64
Surplus		
As per last Balance Sheet	13 92.25	5 82.60
Less: Deduction through amalgamation	-7 91.57	—
Refer Para No. (1) (d) under Note 28		
Add : Transfer from Profit & Loss statement	6 51.76	8 09.64
Closing balance	12 52.44	13 92.24
Revaluation Reserve - Addition through amalgamation	13 92.25	—
Refer Para No (1) (d) under Note 28		
Capital Reserve - Addition through Amalgamation	16 14.10	—
Refer Para No (1) (d) under Note 28		
Total	80 69.43	51 84.63
NON CURRENT LIABILITIES		
4. LONG TERM BORROWINGS		
Secured		
Term Loans from Banks	26 77.23	11 82.75
LC Liability for Capital Goods-Indian Bank	7 92.70	4 35.01
Unsecured		
Long Term maturities of Finance lease obligations	5.34	9.15
Inter Corporate deposits	214.40	—
Performance Deposit	5.85	—
Loans and advances from related parties-Deposits from Director-unsecured	16.25	12.25
TOTAL	37 11.77	16 39.16

SECURITY CLAUSE AS AT 31.3.2019

1. FOR LOANS AVAILED BY SPINNING UNITS

Spinning units at 1) Sowripalayam, Coimbatore 2) Kempnaicken palayam, Annur 3) Then Tirumalai, Mettupalayam 4) Onapalayam, Coimbatore and Yarn processing unit at Kalapatti, Coimbatore

Term loans from Indian Bank amounting of ₹ 2476.14 lakhs, term loan from South Indian Bank of ₹ 85.73 lakhs and term loan from State Bank of India of ₹ 127.48 lakhs are secured by pari passu first charge on a) all immovable properties situated at four spinning units as aforesaid and b) all plant and machineries including machineries and other movable assets (excluding vehicles charged to ICICI Bank) of four spinning units and yarn processing unit and pari passu second charge on stock in trade and book debts of four spinning units and yarn processing unit.

The term loans from Indian Bank, The South Indian Bank Limited and State Bank of India are also guaranteed by Mr K G Balakrishnan, Chairman, Mr B Sriramulu and Mr B Srihari Managing Directors of the Company.

Sri Kannapiran Mills Limited

Notes forming part of financial statements

Term loan of Indian Bank ₹ 26.98 lakhs (PY ₹ 40.93 lakhs) is repayable in 23 monthly installments carrying interest at 10.65%. Term loan of Indian Bank ₹181.79 lakhs (PY ₹ 276.08 lakhs) is repayable in 23 monthly installments carrying interest at 10.65%. Term loan of Indian Bank ₹934.17 (PY ₹758.51 lakhs) is repayable in 59 monthly installments carrying interest at 10.65%. Term loan of Indian Bank ₹540.50 lakhs (PY Nil) is repayable in 60 monthly installments carrying interest at 10.50%.

Term loan of State Bank of India ₹16.51 lakhs (PY ₹25.19 lakhs) is repayable in 23 monthly installments carrying interest at 11.05%. Term loan of State Bank of India ₹110.96 lakhs (PY ₹169.16 lakhs) is repayable in 23 monthly installments carrying interest at 11.05%.

Term loan of The South Indian Bank Ltd ₹11.05 lakhs (PY ₹16.68 lakhs) is repayable in 23 monthly installments carrying interest at 10.50%. Term loan of South Indian Bank Limited ₹74.71 lakhs (PY ₹112.40 lakhs) is repayable in 23 monthly installments carrying interest at 10.50%.

Working capital facilities from Indian Bank consortium (Indian Bank, Central Bank of India and The South Indian Bank Limited) are secured by pari passu first charge on the entire current assets of the company and pari passu second charge on all the immovable properties of four spinning units and plant and machineries of four spinning units and yarn processing unit (excluding vehicles charged to financiers). The entire working capital limit is also guaranteed by Mr K G Balakrishnan, Chairman, Mr B Sriramulu and Mr B Srihari, Managing Directors.

There is no case of default as on the balance sheet date in repayment of loans and interest.

2. FOR LOANS AVAILABLE BY WEAVING UNIT AT SIPCOT INDUSTRIAL GROWTH CENTRE, PERUNDURAI

Term loan from Canara Bank [outstanding ₹ 540.00 lakhs] is secured by first charge on the Second Dyeing & Sizing line together with other equipments acquired for the Expansion Scheme by hypothecation and equitable mortgage of leasehold rights of 32.825 acres of land at SIPCOT Industrial Growth Centre, Perundurai together with buildings and hypothecation of all plant and machinery (including equipments purchased for Effluent Treatment Project & Expansion Scheme) on pari passu first charge and pari passu second charge on the current assets.

Term loan from State Bank of India [outstanding ₹ 201.18 lakhs] is secured by pari passu second charge on the Second Dyeing & Sizing line together with other equipments acquired for the Expansion Scheme by hypothecation and equitable mortgage of leasehold rights of 32.825 acres of land at SIPCOT Industrial Growth Centre, Perundurai together with buildings and hypothecation of all plant and machinery (including equipments purchased for the Effluent Treatment Project & Expansion Scheme) on pari passu first charge and second charge on the entire current assets.

Corporate Loans from Indian Overseas Bank [outstanding ₹1445.03 lakhs] are secured by an exclusive charge on one acre of land at Trichy Road, Coimbatore by way of equitable mortgage.

Term loan of Canara Bank ₹ 540.00 lakhs [PY ₹ 600.00 lakhs] is repayable in 48 monthly installments beginning from October 2018 and ending by March 2023. Interest rate 14.70% p.a [PY 14.30% p.a]

Term loan of State Bank of India ₹ 201.18 lakhs [PY ₹ 418.57 lakhs] is repayable in 7 monthly installments ending by October 2019. Interest rate 13.40% p.a. [PY 13.05% p.a]

Corporate Loan II of Indian Overseas Bank ₹ 592.03 lakhs [PY ₹ 832.03 lakhs] is repayable in 17 monthly installments ending by August 2020. Interest rate 12.15% p.a. [PY 12.15% p.a]

Corporate Loan III of Indian Overseas Bank ₹ 853 lakhs [PY ₹ 991 lakhs] is repayable in 45 monthly installments ending by December 2022. Interest rate 12.05% p.a [PY 12.05% p.a]

Vehicle loan from Canara Bank is secured by hypothecation of the vehicle purchased out of the loan.

As regards current maturities of long term borrowings refer Note No 10 – Other Current Liabilities

Sri Kannapiran Mills Limited

Notes forming part of financial statements

There is no delay in payment of term loan dues and interest payment as at 31.03.2019.

Mr.KG Balakrishnan, Chairman of the Company, has given personal guarantee to all the Banks for the term loan and working capital facilities. The aggregate value of personal guarantee as on 31.03.2019 was ₹ 18036 lakhs [PY ₹ 9106 lakhs]

Short Term Borrowings

Working capital limits from Canara Bank, Oriental Bank of Commerce and State Bank of India are secured by a pari passu first charge by way of hypothecation of entire current assets and further secured by a pari passu second charge on all the fixed assets at SIPCOT Industrial Growth Centre, Perundurai. The entire working capital limits are also guaranteed by Mr. KG Balakrishnan.

	(₹ in Lakhs)	
	31.3.2019	31.3.2018
5. DEFERRED TAX LIABILITIES		
Deferred Tax Asset:		
On account of Business Loss	944.48	—
Amalgamation Expenses	1.23	—
Provision for Gratuity	115.39	96.46
	1061.10	96.46
Deferred Tax Liability:		
On account of Depreciation	1942.19	1262.46
Net Deferred Tax Liabilities	881.09	1166.00
6. OTHER LONG TERM LIABILITIES		
Other Payables	206.17	111.10
	206.17	111.10
7. LONG TERM PROVISIONS		
Provision for Gratuity	327.33	249.84
	327.33	249.84
CURRENT LIABILITIES		
8. SHORT TERM BORROWINGS		
Secured		
Loans repayable on demand from Banks	6924.86	2633.08
	6924.86	2633.08
9. TRADE PAYABLES		
Due to Micro, Small & Medium Enterprises	18.99	—
Others	6122.88	3352.88
	6141.87	3352.88
10. OTHER CURRENT LIABILITIES		
Current maturities of long term debt	1407.13	385.65
Current maturities of finance lease obligations	8.48	9.00
Interest accrued and due on borrowings	2.45	—
Advances from Customers	25.28	11.59
Provision for Tax (Net of Advance Tax)	—	28.66
Other Payables	1368.23	699.50
	2811.57	1134.41
11. SHORT-TERM PROVISIONS		
Provision for Gratuity	84.76	41.92
	84.76	41.92

Sri Kannapiran Mills Limited

Notes forming part of financial statements

(₹ in Lakhs)

12. FIXED ASSETS

Description of Assets	Gross Block			Depreciation				Net Block	
	As at 01.04.2018	Additions during the year	Sales during the year	As at 31.03.2019	Upto 31.03.2018	For the Year	Withdrawn for the Year	Upto 31.03.2019	As at 31.03.2019
Tangible Assets									
1. Land	18 40.96	-	5.42	18 35.55	-	-	-	-	18 35.55
2. Building	46 60.91	44.98	-	47 05.89	17 55.03	1 29.55	-	18 84.58	28 21.31
3. Machinery	1 84 50.34	10 14.64	2 10.92	1 92 54.07	96 61.73	5 55.64	1 92.58	1 00 24.78	92 29.29
4. Elec. Machinery	24 54.15	77.00	-	25 31.15	17 76.96	1 26.19	-	19 03.14	6 28.01
5. Furniture & Fixtures	4 11.66	1.26	-	4 12.92	3 81.68	4.68	-	3 86.36	26.56
6. Office Equipment	99.83	15.48	-	1 15.31	75.65	6.56	-	82.21	33.10
7. Motor Vehicles	290.34	8.64	5.68	2 93.29	1 09.45	27.13	4.14	1 32.45	1 60.84
8. Weighing Scale	20.25	-	-	20.25	19.24	-	-	19.24	1.01
9. Tools & Equipments	20.63	-	-	20.63	19.60	-	-	19.60	1.03
	2 82 49.07	11 62.00	2 22.02	2 91 89.05	1 37 99.32	8 49.75	1 96.72	1 44 52.35	1 47 36.71
Intangible Assets									
10. Software	7.12	-	-	7.12	7.07	-	-	7.07	0.05
TOTAL	2 82 56.19	11 62.00	2 22.02	2 91 96.17	1 38 06.39	8 49.75	1 96.72	1 44 59.42	1 47 36.76
Previous Year	1 63 88.28	9 83.54	45.50	1 73 26.31	93 77.91	4 61.26	42.40	97 96.77	75 29.54

Note: Office furniture Cost includes ₹ 78,39,677 towards cost of Jewels, Golden Chariot and Thoobasthambam of Prayer Hall Then Thirumalai

NON-CURRENT INVESTMENTS

13. INVESTMENTS IN EQUITY INSTRUMENTS (At Cost) 31.03.2019 31.03.2018 31.03.2019 31.03.2018

Non Trade- Quoted-Fully Paid up	Face value	Nos.	Nos.	Amount	Amount
Rajshree Sugars and Chemicals Ltd.	10	5,000	5,000	0.50	0.50
IDBI Bank Limited	10	14,240	14,240	11.57	11.57
Indian Bank	10	1,000	1,000	0.91	0.91
The South Indian Bank Ltd	10	4,323	4,323	0.61	0.61
Trade Investments - Quoted					
KG Denim Limited	10	3,065,183	3,065,183	4 23.85	4 23.85
Trade Investments - Un quoted					
KG Fabriks Limited	10	-	2,825,575	-	2 82.56
Trade Investments - Unquoted					
iEnergy Wind farms (Theni) Private Limited	10	1,208	940	0.12	0.09
OPG Power Generation Pvt. Ltd.	10	-	34,700	-	3.90
Watsun Infrabuild Pvt Ltd	10	3,04,248	8,22,284	30.42	82.23
Arkay Energy (Rameswaram) Ltd	10	7,62,226	4,06,954	76.22	40.70
Arja Energys Pvt Ltd	10	2,50,000	-	25.00	-
Vishnuvimal Yarns India Pvt Ltd	10	26,000	-	2.60	-
Cotton Sourcing Company Limited	10	10,000	-	1.00	-
Non Trade Investments - Unquoted					
National Saving Certificate				0.25	0.25
Kannapiran Mills Employee's Co-op. Stores Limited				0.04	0.04

Sri Kannapiran Mills Limited

Notes forming part of financial statements

	(₹ in Lakhs)	
	Amount 31.03.2019	Amount 31.03.2018
Investment in Partnership Firm		
M/s. K G House (Madras)	7.94	7.94
	581.03	855.13
Aggregate Value of quoted investments		
Cost	437.43	437.43
Market value	1510.08	1410.44
Aggregate amount of unquoted investments	25.36	286.83
14. LONG-TERM LOANS AND ADVANCES		
(Unsecured, considered good)		
Advances recoverable in cash or kind, for value to be received	74.94	60.18
Security Deposits	93.48	11.44
MAT Credit Entitlement	977.95	542.53
Others	—	—
	1146.37	614.15
15. OTHER NON CURRENT ASSETS		
Long Term Trade Receivables	274.12	79.92
TUF Subsidy Receivable	39.02	21.64
	313.14	101.56
16. INVENTORIES (At lower of cost or net realisable value)		
Raw Materials		
Cotton and Waste Cotton	827.62	517.41
Yarn	775.23	—
Chemicals	80.97	—
Work-in Progress	745.30	65.29
Finished Goods - Yarn	955.86	599.27
Finished Goods - Fabrics	1813.56	—
Stock in Trade	40.00	—
Stores and Spares	236.65	185.43
	5475.19	1367.40
17. TRADE RECEIVABLES		
(Unsecured, considered good)		
Outstanding for a period exceeding six months from the due date	300.80	83.72
Others	4449.61	3981.10
	4750.41	4064.82
18. CASH AND BANK BALANCES		
Cash and Cash Equivalents		
Balances with Banks		
In Current Account	57.36	41.34
Cheque on hand	—	—
Cash on hand	8.67	16.51
Other Bank Balances		
Deposits held as margin money	425.24	215.75
	491.27	273.60

Sri Kannapiran Mills Limited

Notes forming part of financial statements

		(₹ in Lakhs)	
		Amount	Amount
		31.03.2019	31.03.2018
19. Short-Term Loans and Advances			
(Unsecured, Considered Good)			
Advances recoverable in cash or in kind, or for value to be received		15 22.05	7 16.74
Security Deposit		1 78.06	90.53
Prepaid expenses		61.18	25.12
Advance taxes (Net of Provisions thereof)		1 66.43	—
		19 27.72	8 32.39
20. OTHER CURRENT ASSETS			
Interest accrued on Bank Deposits		6.18	4.33
Income Receivable			
TUF Subsidy Receivable		1 09.66	11.99
DEPB & Duty Draw Back Receivable		7.32	1.81
Conversion Charges Receivable		2 05.39	2 19.96
Excise Duty Receivable		3.96	—
GST Receivable		57.31	—
MEIS Premium Receivable		24.14	—
		4 13.96	2 38.09
21. Revenue from Operations			
a) Sale of Products			
Yarn		124 05.06	127 46.97
Glove		6 84.30	6 13.02
Fabric		128 28.54	22.90
Waste		1 40.62	46.36
		260 58.52	134 29.25
b) Sale of Services			
Conversion Charges		42 68.43	55 42.36
		42 68.43	55 42.36
c) Other Operating Revenues:			
Export Incentives		1 29.20	27.25
		1 29.20	27.25
		304 56.15	189 98.86
22. Other Income			
Interest Income		46.14	40.56
Dividend Income		24.51	23.07
Profit on sale of assets		274.85	5.96
Foreign Exchange (gain)-Net		0.36	—
Miscellaneous receipts		1 28.97	73.60
		4 74.83	1 43.19

Sri Kannapiran Mills Limited

Notes forming part of financial statements

(₹ in Lakhs)

	Amount 31.03.2019	Amount 31.03.2018
23. Cost of Materials consumed		
Opening Stock		
Raw material - Cotton & Waste Cotton	17 05.37	7 07.87
Waste - Cotton	15.55	3.42
Add : Purchases - Cotton & Waste Cotton	149 64.55	77 06.47
	166 85.47	84 17.76
Less : Sale of Raw material	137.16	224.34
	165 48.31	81 93.42
Less: Closing Stock		
Raw material	1594.50	5 15.00
Waste - Cotton	8.35	2.41
	149 45.46	76 76.01
Details for Materials consumed		
Cotton and Waste cotton	129 65.61	76 76.01
Yarn	8 68.83	—
Chemicals	11 11.02	—
	149 45.46	76 76.01
24. Changes in Inventory of Finished Goods and WIP		
Opening Stock		
Finished Goods - Yarn	5 88.66	8 50.37
Finished Goods - Fabrics	18 94.75	—
Finished Goods - Glove	10.61	26.02
Work in Process	7 94.81	1 50.24
Stock in Trade - Shares	40.00	—
	33 28.83	10 26.63
Closing Stock		
Finished Goods - Yarn	9 07.97	5 88.66
Finished Goods - Fabrics	18 13.56	—
Finished Goods - Glove	47.89	10.61
Work in Process	7 45.32	65.28
Stock in Trade - Shares	40.00	—
	35 54.74	6 64.55
Stock Increase / (Decrease)	225.92	(362.08)
25. EMPLOYEE BENEFITS EXPENSES		
Salaries and wages	39 17.56	28 72.54
Contribution to Provident and other funds	131.56	104.44
Gratuity expenses	72.61	58.56
Welfare expenses	3 18.06	2 07.98
Managerial Remuneration	48.13	19.77
	44 87.92	32 63.29

Sri Kannapiran Mills Limited

Notes forming part of financial statements

(₹ in Lakhs)

	Amount 31.03.2019	Amount 31.03.2018
26. FINANCE COST		
Interest on Working Capital	11 70.57	5 16.34
Interest on Term loans	5 12.53	2 45.90
Bank Charges	79.34	53.47
	17 62.44	8 15.71
27. OTHER EXPENSES		
Consumption of stores and spare parts	8 04.31	3 00.18
Consumption of packing materials	3 34.36	2 57.16
Repairs to buildings	1 97.14	83.88
Repairs to machinery	12 04.14	8 60.15
Insurance	33.67	18.57
Rates and taxes, excluding, taxes on income	41.39	25.72
Accountancy and Legal charges	89.04	40.19
Filing Fees	0.51	0.13
Brokerage & Commission	2 93.42	1 41.85
Selling Expenses	2 34.21	17.40
Research and Development Expenses	4.32	-
Carriage Outwards	92.89	78.95
Lease Rent	42.56	20.41
Auditors Remuneration	6.02	2.89
Sitting Fees	3.41	1.16
CSR Expenses	20.90	17.82
Processing Charges	8 04.68	3 93.34
Prayer Hall Expenses	36.20	36.57
Foreign Exchange Fluctuation Loss (Nett)	24.54	7.94
Miscellaneous Expenses	4 80.32	2 31.10
	47 48.03	25 35.41

Sri Kannapiran Mills Limited

28. Additional information to financial statement

1. Amalgamation of KG Fabriks Limited (KGFL) with Sri Kannapiran Mills Limited (SKML)

The National Company Law Tribunal, Chennai Bench has vide its order dated 21.02.2020 sanctioned the Scheme of amalgamation of KG Fabriks Limited (KGFL) with effect from the appointed date of 1st April 2018. The said order was filed with the Registrar of Companies, Coimbatore on 26.02.2020 pursuant to which the Scheme has come into effect. Accordingly, the financial statements for the year ended 31.3.2019 have been presented giving effect to the said amalgamation as detailed below.

- a) In accordance with the Scheme of Amalgamation of the erstwhile KG Fabriks Limited with Sri Kannapiran Mills Limited as sanctioned by the NCLT, Chennai, the assets, liabilities and reserves of KGFL were transferred to and vested in the Company with effect from 1st April 2018. The NCLT, Chennai passed their order dated 21.02.2020 approving the merger. The certified copies of the said orders were duly filed with the Registrar of Companies within the due date.
- b) KGFL was registered to carry on business in manufacturing of and trading in all kinds of fabrics (including canvas, Denims and other fabrics).
- c) The amalgamation has been accounted for under the Pooling of Interests Method as prescribed by the Accounting Standard (AS 14- Accounting for Amalgamation) issued by The Institute of Chartered Accountants of India. Accordingly, the assets, liabilities and reserves of erstwhile KGFL have been taken over at their carrying values. The difference between the amount recorded as share capital to be issued and the amount of share capital of KGFL i.e. ₹ 1614.10 lakhs has been shown as Capital Reserves.
- d) As stipulated in the Scheme of Amalgamation and in accordance with the Accounting Standard AS 14 – Accounting of Amalgamations, issued by the Institute of Chartered Accountants of India, the following has been effected in the financial statements
 - i) Inter Company investment of ₹282.55 lakhs (28,25,575 equity shares of ₹10 each) held by the Company in KGFL and ₹ 1 lakh (10000 equity shares of ₹10 each) held by KGFL in the Company as on 1.4.2018 have been netted out and the same has been considered while arriving share swap ratio.
 - ii) The Inter Company amount receivable of ₹ 2012.10 lakhs as on 1.4.2018 from KGFL by the Company has been netted and cancelled.
 - iii) The 6% Cumulative Redeemable Preference share capital of ₹135 lakhs as on 1.4.2018 (1,35,000 shares of ₹100 each) in KGFL has been transferred to the Company and accordingly new 6% Cumulative Redeemable Preference shares for ₹135 lakhs (1,35,000 shares of ₹100 each) will be allotted by the Company to the existing preference shareholder of KGFL.
 - iv) The General reserves of ₹18.25 lakhs and Revaluation reserves of ₹1392.25 lakhs of KGFL as on 1.4.2018 have been transferred to the Company and are shown as such in SKML.
 - v) The Debit balance in P&L account of KGFL of ₹ 791.57 lakhs as on 1.4.2018 has been transferred to and adjusted in the profit and loss account of the Company.
 - vi) Consequent to the Amalgamation of KGFL with the Company and in accordance with the terms of Scheme of Amalgamation, the Company would allot 17,93,449 equity shares of the Company of ₹10 each to the shareholders of KGFL at one fully paid up equity share of ₹10 each for every ten equity shares of ₹10 each held by the shareholders of KGFL.
 - vii) During the period between Appointed date (1.4.2018) and the effective Date (26.02.2020) KGFL carried on the existing business in trust on behalf of the Company, with all vouchers, documents etc., for the period are in the name of KGFL. The title deeds for landed properties, licences, agreements, loan documents etc., if any, are being transferred in the name of the Company.
 - viii) Attention is brought to the fact that KGFL has been merged with the Company vide NCLT Order No. CP/1346 & 1347 / CAA / 2019 dated 21.02.2020 effective date of merger being 1st April 2018. Accordingly, the current year financial presents the figures of merged entity. The comparative figures do not include the impact of merger and hence the financials are not comparable to that extent.

Sri Kannapiran Mills Limited

2 Estimated amount of contracts remaining to be executed on capital accounts not provided for as on 31.03.2019 is ₹51.18 lakhs (31.3.2018 : ₹387.02 lakhs).

3 Future Hire Purchase charges payable as on 31.03.2019 is ₹1.19 lakhs. (Previous year ₹2.33 lakhs).

4 Income-tax assessment for the Assessment year 2018-19 and onwards is pending.

5 Vehicle Loans from ICICI Bank Limited are secured by way of hypothecation of respective vehicles.

6. a) Value of imports – CIF basis	31.3.2019	31.03.2018		
	(₹ lakhs)			
i) Raw materials	41.10	347.59		
ii) Spares and components	160.26	106.09		
iii) Capital goods	509.29	321.52		
b) Consumption	Imported	Indigenous	Imported	Indigenous
i) Raw materials Value (₹ lakhs)	41.10	14904.35	357.02	7303.54
As a % of total raw material consumption	0.28%	99.72%	4.67%	95.33%
ii) Spares and components (₹ lakhs)	139.17	2673.59	117.50	1044.13
As a % of total Repairs and Maintenance	4.95%	95.05%	10.12%	89.88%
7. i) Expenditure in Foreign Currency	₹ Lakhs	₹ Lakhs		
Travelling Expenses	19.10	1.45		
ii) Earnings in Foreign Currency on Export of Goods - FOB Basis Direct Export	4316.59	1168.05		
iii) Export through Merchant Exporters	59.19	8.78		
iv) Interest on Foreign Currency Loan	—	8.67		
8. Auditors' remuneration				
Audit Fees	3.25	2.25		
Income-tax representation fees	0.25	0.25		
Tax Audit Fees	0.45	0.25		
Certification Fees	2.07	0.14		
	<u>6.02</u>	<u>2.89</u>		

9. 6 Years National Savings Certificate of ₹ 100/- has not been reflected in the Balance Sheet under the heading investments due to rounding off.

10. Particulars regarding investment in the capital of the Partnership Firm.

Name of the Firm KG House (Madras)
Total Capital of the Firm ₹ 16,18,400/-

Name of the Partner	Capital contribution	Share ratio
The Kadri Mills (Cbe) Ltd	₹ 7,93,800/-	49.0 %
Sri Kannapiran Mills Ltd	₹ 7,93,800/-	49.0 %
Sri Palanivel Murugan Co	₹ 7,700/-	0.5 %
Mr K Govindaswamy Naidu(deceased)	₹ 7,700/-	0.5 %
Mrs G Rukmaniammal(deceased)	₹ 7,700/-	0.5 %
Mrs G Seethalakshmi Ammal (deceased)	₹ 7,700/-	0.5 %

11. Foreign Exchange Fluctuation loss of ₹ 24.56 lakhs in respect of purchase of capital goods / spares and restatement of parties, is debited in Profit and Loss account.

Sri Kannapiran Mills Limited

12. Balance of certain Creditors, Debtors, Loans and Advances given are subject to confirmation and reconciliation with the respective parties, however in the opinion of management, there would not be any material impact on financial statements.

13. The segmental reporting as required under AS-17 is not applicable as the Company operates in only one segment, i.e. Textile.

14. AS 15 Employee Benefits
A. Defined Benefit Plan

I. Principal Actuarial Assumptions	31.03.2019	31.03.2018
Discount Rate	7.75%	7.80%
Salary Escalation Rate	4.00%	4.00%
Attrition Rate	1.00%	1.00%
Expected Rate of Return on Plan Assets	0.00%	0.00%
	(₹ in lakhs)	(₹ in lakhs)
II. Changes in the present value of the obligation (PVO) - Reconciliation of Opening and Closing Balances	Gratuity (Unfunded)	Gratuity (Unfunded)
PVO as at the beginning of the period	4 12.09	359.52
Interest Cost	28.65	18.23
Current Service Cost	38.85	32.94
Past Service Cost - (Non Vested Benefits)	0	0
Past Service Cost - (Vested Benefits)	0	0
Benefits Paid	-20.04	-14.89
Actuarial loss / (gain) on obligation (balancing figure)	-2.99	24.23
PVO as at the end of the period	412.09	359.52
III. Changes in the fair value of plan assets - Reconciliation of opening and closing balances		
Fair value of the plan assets as at the beginning of the period	0	0
Expected return on plan assets	0	0
Contributions	0	0
Benefits paid	0	0
Actuarial gain / (loss) on plan assets (balancing figure)	0	0
Fair value of plan assets as at the end of the period	0	0
IV. Actual return on plan assets		
Expected return on plan assets	0	0
Actuarial gain / (loss) on plan assets	0	0
V. Actuarial gain / loss recognised		
Actuarial gain / (loss) for the period - Obligation	-2.99	24.23
Actuarial gain / (loss) on plan assets	0	0
Total gain / (Loss) for the period	-2.99	24.23
Actuarial gain / (loss) recognised in the period	-2.99	24.23
Unrecognised actuarial (gain) / loss at the end of the year	-5.18	13.50
VI. Expenses recognised in the statement of profit and loss		
Current service cost	38.85	32.94
Interest Cost	28.65	18.23
Expected return on plan assets	0	0
Net actuarial (gain)/loss recognised in the year	-2.99	24.23
Expenses recognised in the statement of profit and loss	64.51	75.41

Sri Kannapiran Mills Limited

VII. Movements in the liability recognised in the balance sheet			(₹ In Lakhs)
Opening Net Liability	359.52		246.59
Expense as above	64.51		75.41
Contribution paid	(20.04)		(14.89)
Closing Net Liability	412.09		359.52

Note:

- The salary escalation considered in actuarial valuation takes into account inflation, seniority, promotion and other relevant factors such as supply and demand in the employment market.
- Gratuity is based on last drawn basic salary. The scheme takes into account each completed year of service or part there of in excess of six months.

B. Defined Contribution Plan

Contribution to Provident Fund	131.56	104.44
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15. AS-18 RELATED PARTY DISCLOSURES :

Names of related parties :

- Key Management Personnel :
 - Dr G Bakthayathsalam, Managing Director
 - Mr B Sriramulu, Managing Director
 - Mr B Srihari, Managing Director
 - Mr G Krishnakumar, Chief Financial Officer
- Relatives of Key Management Personnel :
 - Mr KG Balakrishnan
 - Mrs B Sathyabama
 - Mrs T Anandhi
- Other Related Parties :
 - KG Denim Limited
 - Sri Balamurugan Textile Processing Limited
 - RND Softech Private Limited
 - Sri Karthikeya Spinning & Weaving Mills Private Limited

(₹ In Lakhs)

Particulars	Other Related Parties		Key Management Personnel		Relatives of Key Management Personnel	
	2019	2018	2019	2018	2019	2018
Purchase of Goods	131.91	5.29	—	—	—	—
Purchase of Power	607.86	672.67	—	—	—	—
Sale of Goods	161.65	885.71	—	—	—	—
Conversion charges (Receipt)	3870.85	5083.98	—	—	—	—
Conversion Charges Paid	16.05	79.14	—	—	—	—
Managerial Remuneration	—	—	58.57	28.63	—	—
Sitting Fees	—	—	—	—	0.50	0.20
Lease Rent paid - Land / Building / Machinery	21.95	1.38	—	—	18.92	18.00
Interest paid on Intercompany Deposit	16.00	—	—	—	—	—
Balance Outstanding as on March 31st						
Payables	—	0.40	3.00	13.75	—	—
Receivables	813.23	2538.22	—	—	—	—

Sri Kannapiran Mills Limited

16. AS-19 LEASES

The Company's significant leasing arrangements are mainly in respect of Godown rent. The aggregate rentals payable on these leasing arrangements are charged as lease rent under other expenses.

	(₹ In Lakhs)	
Particulars	31.03.2019	31.03.2018
Not later than one year	18.00	18.00
Later than one year but not later than five years	18.00	9.57
Later than Five years	—	—

17. AS-20 EARNINGS PER SHARE

	31.03.2019	31.03.2018
Net Profit After Tax and adjustments	651.76	809.64
Weighted average No of Equity Shares	36,36,579	36,36,579
Basic & Diluted Earnings Per Share	17.92	22.26
(Face value of ₹ 10/- each)		

18. AS – 22 DEFERRED TAX LIABILITY

(₹ In Lakhs)

	Opening as on 01.04.2018	Adjustments made during the year	Closing as on 31.03.2019
Deferred Tax Liability			
Depreciation	2128.50	-186.31	1942.19
Total	2128.50	-186.31	1942.19
Deferred Tax Asset			
On Account of Losses	1169.54	-225.06	-944.48
Provision for Gratuity (Net)	117.39	-2.01	115.39
Amalgamation Expenses	—	1.23	1.23
Total	1286.93	-225.83	1061.10
Net Deferred Tax Asset / (Liability)	841.57	39.52	881.09

- 19 a) The Company had taken input credit on Furnace oil used for producing power in the year 2006-07 under Tamilnadu VAT Act. The Commercial Tax Department, Tamilnadu disputed the above and demanded reversal of input tax credit of ₹57.69 lakhs and the Company had filed an appeal with Madras High court and the same is pending. The Company had paid an amount of ₹ 20 lakhs in this regard "under protest". The Company has fair chances of winning the appeal and hence not provided the same in accounts.
- b) TANGEDCO, Tamil Nadu is demanding E -Tax on Maximum Demand charges and self generation Tax on units generated through windmills/D G sets. The Company has gone for appeal and the same is pending before the Supreme Court. An amount of ₹ 126.20 lakhs towards self Generating Tax and ₹130.64 lakhs towards E-tax payable on MD and Deemed demand charges are pending as on 31.3.2019 and shown as liability in the books of accounts.
- c) The Company has preferred on appeal with the Commissioner of Income Tax (Appeals), Coimbatore in respect of disallowance u/s 14A of ₹17, 39, 281 as against Company's disallowance of ₹14,530. This as resulted in decrease in carried forward loss of ₹17,39,281. This Company is confident of getting favourable order from Commissioner of Income Tax (Appeals), Coimbatore.
- 20 Power charges shown in the statement of profit and loss account is net of wind energy charges to the extent of ₹174.35 lakhs adjusted by TNEB.
- 21 Arrears of dividend on preference shares (to be issued) as on 31.03.2019 is ₹ 72.90 lakhs.

Sri Kannapiran Mills Limited

22 Disclosure required under Micro, Small and Medium Enterprises Development Act, 2006 (the Act) are given below:

(₹ In Lakhs)

		31.03.2019	31.03.2018
a)	Principal amount due	18.99	-
	Interest due on above	-	-
b)	Interest paid during the period beyond the appointed date	-	-
c)	Amount of interest due and payable for the period of delay in making payment without adding the interest specified under the Act	-	-
d)	Amount of interest accrued and remaining unpaid at the end of the period	-	-
e)	Amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to small enterprise for the purpose of disallowance as a deductible expenditure under Sec 23 of the Act	-	-

23. In the opinion of the Board of Directors, assets other than fixed assets and non current investments have a value on realisation in the ordinary course of business at least equal to the amount at which they are stated.

24. Details of Miscellaneous expenses :

(₹ In Lakhs)

	31.03.2019	31.03.2018
Printing & Stationary	23.94	10.83
Postage & Telephone	62.11	11.95
Subscription, newspaper & Advertisement	6.72	6.68
Travelling and maintenance of vehicle	296.83	168.06
Garden maintenance	3.35	2.51
Agriculture expenses	6.31	4.53
Repairs & maintenance - others	24.52	25.44
Donation	1.00	1.00
General Expenses	55.54	0.10
	480.32	231.10

24. Previous year figures have been regrouped / reclassified wherever necessary to correspond with the current year's disclosure / classification

See accompanying notes to the financial statements

**In terms of our Report of even date
For Gopalaiyer and Subramanian**

Firm Regd. No.000960S
Chartered Accountants

(Sd/-) CA R Mahadevan

Partner

Coimbatore
28th February 2020

Membership No. 027497

(Sd/-) KG Balakrishnan

Chairman

DIN No : 00002174

(Sd/-) B Sriramulu

Managing Director

DIN No : 00002560

(Sd/-) B Srihari

Managing Director

DIN No : 00002556

(Sd/-) G Krishnakumar

Chief Financial Officer

PERFORMANCE OVER THE YEAR

(₹ in thousands)

	For the year ended March 31										
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019*	
Net Sales											
(less excise duty)	1 18 07 79	1 25 73 36	1 16 39 75	1 17 31 18	1 26 41 98	1 29 89 89	1 08 40 73	1 18 69 79	1 34 29 26	2 60 58 52	
Conversion Charges	27 05 44	27 82 64	32 98 48	37 57 62	48 34 42	52 94 67	58 51 44	57 43 25	55 42 36	42 68 43	
Other Income	3 58 39	90 83	2 17 20	2 15 22	1 81 62	2 50 38	2 42 51	2 29 30	1 70 44	6 04 03	
Profit before Interest and Depreciation	15 71 91	20 65 30	8 97 12	11 16 10	17 49 84	23 07 73	24 55 79	23 27 05	23 64 28	33 78 21	
Financial Charges	9 30 86	10 84 21	10 38 22	10 42 60	10 76 92	11 93 51	10 38 07	8 53 40	7 62 24	17 62 44	
Depreciation	5 87 70	5 89 35	6 00 30	6 15 16	6 28 19	4 34 65	4 42 21	4 55 70	4 61 26	8 49 75	
Profit before Taxation	53 35	3 91 75	-7 41 04	-5 41 66s	44 73	6 79 57	9 75 51	10 17 95	11 40 78	7 66 02	
Profit after Taxation	53 35	3 91 75	-7 41 04	-5 41 66	44 73	6 79 57	9 70 86	9 99 16	8 77 73	7 66 02	
Gross Fixed Assets	1 46 38 95	1 47 76 66	1 52 86 80	1 55 95 87	1 58 86 88	1 64 91 08	1 66 15 07	1 63 88 28	1 73 26 31	2 91 96 17	
Net Fixed Assets	71 14 35	67 86 06	66 98 99	64 85 17	63 69 42	70 66 48	69 98 68	70 10 37	75 29 54	1 47 36 76	
Share Capital	3 68 30	3 68 30	3 68 30	3 68 30	3 68 30	3 68 30	3 68 30	3 63 66	3 63 66	6 77 00	
Reserves & Surplus	32 00 52	34 52 26	29 35 43	25 28 30	25 76 59	30 18 22	36 89 14	43 77 99	51 84 64	80 69 43	
Deferred Tax Liability	5 73 06	7 04 15	4 78 81	3 44 28	3 40 54	5 20 57	8 20 51	11 09 77	11 66 00	8 81 09	
Long Term Borrowings	47 76 93	43 26 20	40 97 49	49 99 62	43 46 68	39 32 57	29 74 96	24 12 00	20 33 82	51 27 38	
Debt Equity Ratio	1.16	0.98	1.24	1.39	1.34	1.02	0.73	0.51	0.30	0.51	
Current Ratio	1.19	1.22	1.17	1.21	1.09	1.01	1.02	1.07	1.05	0.90	

2019 Performance Includes figures of merged entity

* 2019 Performance includes figures of merged entity