

SRI KANNAPIRAN MILLS LIMITED



**Annual Report
for the year ended March 31, 2018**



Sri Kannapiran Mills Limited

Registered Office

MILLS PREMISES

Sowripalayam

Coimbatore - 641 028

CIN : U17111TZ1946PLC000188

Factories

SOWRIPALAYAM

KEMPANAICKENPALAYAM

JADAYAMPALAYAM

ONAPALAYAM

&

KALAPATTI

Board of Directors

KG BAALAKRISHNAN (DIN : 00002174)

Chairman

G BAKTHAVATHSALAM (DIN : 00007132)

B SRIRAMULU (DIN : 00002560)

B SRIHARI (DIN : 00002556)

Managing Directors

K N V RAMANI (DIN : 00007931)

A VELUSAMY (DIN : 00002204)

V ARUNACHALAM (DIN : 00051327)

K B NAGENDRA MURTHY (DIN : 00359864)

Auditors

M/s GOPALAIYER & SUBRAMANIAN

Chartered Accountants

Coimbatore

Cost Auditor

M NAGARAJAN

Cost Accountant

Coimbatore

Bankers

INDIAN BANK, Coimbatore

CENTRAL BANK OF INDIA, Coimbatore

THE SOUTH INDIAN BANK LIMITED, Coimbatore

STATE BANK OF INDIA, Coimbatore

Sri Kannapiran Mills Limited

DIRECTORS' REPORT TO SHAREHOLDERS

Your Directors have pleasure in submitting their Report and the Audited Accounts of the Company for the year ended March 31, 2018.

SUMMARY OF FINANCIAL RESULTS

		(Rs. in lakhs)	
		Year ended March 31,	
		2018	2017
Income		191 42	178 42
Gross Profit before financial charges, depreciation and taxes		23 64	23 27
Less : Financial Charges		7 62	8 53
Depreciation		4 61	4 56
Net Profit/Loss		11 41	10 18
Add : Balance brought forward from last year		5 82	-1 35
Less : Current Tax (MAT)	263		203
MAT Credit Entitlement	<u>-</u>	2 63	<u>184</u> 19
Deferred Tax Liability		64	2 81
Income tax for prior years		3	1
Balance Carried to Balance Sheet		13 93	5 82

State of the Company's Affairs

During the period under review, the Company has earned revenue of Rs.19142 lakhs and net profit of Rs.1141 lakhs.

Performance of the Company

The yarn production for the year was 176 lakhs kgs compared to previous year of 164 lakhs kgs. Cotton price was ruled between Rs. 121 to Rs. 134 per kg. The Company has changed its product mix, increased production capacity, productivity and using 100% firm private power which is lower than TNEB prices. These measures helped the Company to improve profits.

The Company has achieved Gross profit of Rs.2364 lakhs compared to previous year of Rs.2327 lakhs and net profit of Rs. 1141 lakhs compared to last year of Rs.1018 lakhs.

Industry Structure & Developments

India's textile 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 13 per cent of total exports. The textiles industry is also labour intensive and is one of the largest employers.

The textile industry employs about 105 million people directly and indirectly. India's overall textile exports during FY 2017-18 stood at US\$ 38 billion.

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.

The Indian textiles industry, currently estimated at around US\$ 150 billion, is expected to reach US\$ 230 billion by 2020. The Indian Textile Industry contributes approximately 2 per cent to India's Gross Domestic Product (GDP), and 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 2016, 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

Sri Kannapiran Mills Limited

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 2017-18, 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 2017-18. The total area under cultivation of cotton in India is expected to increase by 7 per cent to 11.3 million hectares in 2017-18, on account of expectations of better returns from rising prices and improved crop yields during the year 2016-17. 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. The Company had exported Rs.12 crores during the year. The Company had own depots, dealer net work at various places in India to meet the end user's requirements immediately.

Opportunities & Threats

Indian textile industry is highly depending on availability of domestic cotton at a competitive price. Expected increase in overseas yarn demand and apparel segments demand due to improved spending pattern of Indian will help to improve sales and profitability.

The continuing high interest rates and labour shortage will slow down the growth of textile mills in India.

Shares

Your Company's shares were listed in Madras Stock Exchange Limited. However in view of approval of voluntary de-recognition of Madras Stock Exchange by SEBI, our Company ceased to be a listed company with effect from 09.01.2015 and our company shares were placed on the Dissemination Board of NSE.

As per SEBI Circular No. SEBI/HO/MRD/DSA/CIR/P/2016/110 dated 10.10.2016, the promoters have provided an exit opportunity to all the public shareholders on 02.07.2017 to acquire their shares at Rs. 150 per share based on valuation determined by Keynote Corporate Services Limited, Mumbai, a category I Merchant Banker and an empanelled Registered valuer on NSE. Based on the exit offer given by promoters and the request from the Company, our Company shares have been removed from the dissemination board of NSE on 25th October, 2017. This exit offer by promoters is open up to 20.07.2018.

Segment wise or product wise performance

The Company is engaged in the business of manufacture and export of yarn and accordingly this is the only Single Reportable Segment.

Outlook

The Company expects to improve 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 right prices is crucial for the profitability of the Company. Higher Bank interest rates and increased labour cost coupled with shortage of labour will be major concern for our company.

Meetings

A calendar of Meetings is prepared and circulated in advance to the Directors. The intervening gap between the Meetings was within the period prescribed under the Companies Act, 2013.

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Board Meeting

The Board met 4 times and the meetings were held on 14.06.2017, 04.08.2017, 25.11.2017 and 05.02.2018. The number of meetings directors attended are as follows.

Name of the Director	Category	No. of Meetings held	No. of Meetings Attended
Mr K G Baalakrishnan	Chairman	4	4
Dr G Bakthavathsalam	Executive, Managing Director	4	1
Mr B Sriramulu	Executive, Managing Director	4	4
Mr B Srihari	Executive, Managing Director	4	4
Mr A Velusamy	Non-Executive	4	4
Mr K N V Ramani	Independent, Non-Executive	4	4
Mr V Arunachalam	Independent, Non-Executive	4	3
Mr K B Nagendra Murthy	Independent, Non-Executive	4	3

Audit Committee Meeting

The Audit Committee Meeting held on 04.08.2017, 25.11.2017 and 05.02.2018. Composition of the Audit Committee as on 31st March, 2018 and the attendance during the year are as under :

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

Nomination & Remuneration Committee Meeting

The Nomination & Remuneration Committee Meeting held on 05.02.2018. Composition of the Nomination & Remuneration Committee as on 31st March, 2018 and the attendance during the year are as under:

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

Risk Management Committee Meeting

The Risk Management Committee Meeting held on 05.02.2018. Composition of the Risk Management Committee as on 31st March, 2018 and the attendance during the year are as under:

Name of the Director	Position	Category	No. of Meetings held	No. of Meetings Attended
Mr B Srihari	Chairman	Non-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 05.02.2018. Composition of the Independent Director's as on 31st March, 2018 and the attendance during the year are as under:

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

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Directors' responsibility statement

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

- i) that in the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures;
- ii) that the directors had selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year and of the profit and loss of the company for that period;
- iii) 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;
- iv) that the directors had prepared the annual accounts on a going concern basis; and
- v) 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).

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 or Investments:

The company has not given any Loans. The details of Guarantee and Investments made during the Financial Year

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ended on 31st March, 2018 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.

Particulars of Contracts and Arrangements with Related Parties Referred to in Sub-Section (1) of Section 188 of 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.

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 2017-18. 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 is annexed to this report.

Further there were no material related party transaction with the Promoters, Directors or Key Managerial Personnel during the year.

All related party transaction are placed before the Audit Committee as also to the Board for approval on a quarterly basis. Omnibus approval was obtained for transaction of repetitive nature.

Transfer of Amount to Reserves

The Company does not propose to transfer any amount to the general reserve for the Financial Year ended 31st March, 2018.

Annual Return

The copy of Annual Return as per the provisions of the Companies Act, 2013 and Rule 12 of Companies (Management and Administration) Rules, 2014 has been placed on the website of the Company www.kannapiran.co.in

The 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 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 the Companies (Accounts) Rules, 2014 is prepared and the same is enclosed as annexure to the 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.

The Board of Directors of the Company has constituted Corporate Social Responsibility Committee consisting of the following persons namely Mr KG Baalakrishnan, 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 8 of Companies (Corporate Social Responsibility Policy) Rules, 2014 is attached.



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Directors

Dr G Bakthavathsalam and Mr B Srihari, Directors retire by rotation at the ensuing Annual General Meeting and are eligible for reappointment.

The term of office of Mr K N V Ramani and Mr V Arunachalam as Independent Directors expiring on 31.03.2019 and they are recommended for re-appointment for a further period of 3 years from 01.04.2019.

Statutory Auditors

The Shareholders of the Company at the Annual General Meeting held on 21st September, 2017 have appointed M/s Gopalaiyer and Subramanian, Chartered Accountants as Statutory Auditors of the Company to hold office for five consecutive years from the conclusion of the aforesaid AGM, subject to ratification at every AGM.

M/s Gopalaiyer and Subramanian, Chartered Accountants, (Firm Registration No. 000960S) have confirmed that their appointment, if made, shall be in accordance with the provisions of Section 139 of the Companies Act, 2013.

Necessary resolution for ratification of appointment of the said Auditors is included in the Notice of Annual General Meeting for seeking approval of members

Auditor's Report:

M/s. Gopalaiyer and Subramanian, Chartered Accountants, (Firm Registration No.000960S) have issued Auditors Report for the Financial Year ended 31st March, 2018 and there are no qualifications in Auditors Report.

Vigil mechanism / Whistle blower policy:

The Board of Directors have 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 behaviour. 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 behaviour, 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.

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, 2018, the Company has not received any complaints pertaining to sexual harassment.

Finance

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

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 unauthorised use or disposition and that all transactions are authorised, 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.

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, 2018 to the date of signing of the Director's Report.

Personnel

The Industrial relations were cordial during the year under review.

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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.

For and on behalf of the Board

Coimbatore
18.06.2018

KG Baal Krishnan
Chairman
DIN : 00002174

Sri Kannapiran Mills Limited

ANNEXURE I TO THE DIRECTORS' REPORT

The 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 the Companies (Accounts) Rules, 2014.

A. Conservation of Energy

- (i) The steps taken or impact on conservation of energy;
The Company has invested in installing automatic waste evacuation system, modification of Humidification system, optimisation of Air compressors, installation of LED lamps & Energy efficient suction motors and fans to reduce energy consumption. Continuous monitoring of idle machine running also saved considerable energy. These have resulted in savings of power consumption substantially.
- (ii) The steps taken by the company for utilising alternate sources of energy;
The Company is negotiating with suppliers for installation of solar power plants to get renewable energy power.
- (iii) The capital investment on energy conservation equipments;
The Company has invested Rs.60 lakhs in energy conservation equipments during the year.

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.
- (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.

Used	Rs. 785 lakhs
Earned	Rs. 1168 lakhs

For and on behalf of the Board

Coimbatore
18.06.2018

KG Baal Krishnan
Chairman
DIN : 00002174

Sri Kannapiran Mills Limited

Report on Corporate Social Responsibility (CSR) as per Rule 8 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 2017-18.
The activities and funding are monitored internally by the Company.
2. The Composition of the CSR Committee.
Shri KG Baal Krishnan (Chairman);
Shri K N V Ramani (Independent Director);
Shri 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 Rs.891.01 lakh.
4. Prescribed CSR Expenditure (two percent of the amount as in item 3 above).
The Company is required to spend Rs.17.82 lakh towards CSR for the Financial Year 2017-18.
5. Details of CSR spent during the Financial Year.
 - a. Total amount spent in the financial year : Rs. 17.82 lakhs.
 - b. Amount unspent, if any : Nil
 - c. Manner in which the amount spent during the financial year detailed below:

(Rs. 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			17.82	17.82	17.82	Through Sri Kannapiran Mills Trust Foundation

6. In case the Company has failed to spend the two percent of 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 2017-18 as detailed above. The Company has transferred Rs. 17.82 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.

KG Baal Krishnan
Chairman

Date : 18.06.2018
Place : Coimbatore

DIN : 00002174
Chairman of CSR Committee

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 programmes 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 CSR Committee that are covered in the CSR Rules as amended from time to time.

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 25.09.2018	Conversion of cotton / fibre into yarn covered under Section 188(1)(d) of Companies Act, 2013. For the year 2017-18 Conversion charges (receipt) Rs.2282.19 lakhs	18.06.2017, 04.08.2017, 25.11.2017, 05.02.2018	Nil
2.	KG Fabriks Limited Section 2(76)(v) Public Company in which a director holds along with his relatives more than 2% of its paid up share capital.	Conversion contract	3 years till 25.09.2018	Conversion of cotton / fibre into yarn covered under Section 188(1)(d) of Companies Act, 2013. For the year 2017-18 Conversion charges (receipt) Rs.2801.79 lakhs	18.06.2017, 04.08.2017, 25.11.2017, 05.02.2018	Nil

Coimbatore
18.06.2018

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

Sri Kannapiran Mills Limited

INDEPENDENT AUDITORS' REPORT

To

The Members of Sri Kannapiran Mills Limited

Report on the Financial Statements

We have audited the accompanying financial statements of **SRI KANNAPIRAN MILLS LIMITED** ("the Company"), which comprise the Balance Sheet as at March 31, 2018, and the Statement of Profit and Loss (including Other Comprehensive Income) and the Statement of Cash Flows for the year then ended and a summary of the significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows and other accounting principles generally accepted in India.

This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgements and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. In conducting our audit, we have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder and the Order issued under section 143(11) of the Act.

We conducted our audit of the financial statements in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Company's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors, as well as evaluating the overall presentation of the financial statements.

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

Sri Kannapiran Mills Limited

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at March 31, 2018, and its profit, total comprehensive income and its cash flows for the year ended on that date.

Report on Other Legal and Regulatory Requirements

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

2. As required by Section 143(3) of the Act, based on our audit we report that:

- a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.
- b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books.
- c) The Balance Sheet, the Statement of Profit and Loss including Other Comprehensive Income and the Statement of Cash Flow dealt with by this Report are in agreement with the books of account.
- d) On the basis of the written representations received from the directors of the Company as on March 31, 2018 taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2018 from being appointed as a director in terms of Section 164(2) of the Act.
- e) With respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate Report in "**Annexure B**". Our report expresses an unmodified opinion on the adequacy and operating effectiveness of the Company's internal financial controls over financial reporting.
- f) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, as amended, in our opinion and to the best of our information and according to the explanations given to us:
 - i. The Company has disclosed the impact of pending litigations on its financial position in its financial statements.
 - ii. The Company has made provision, as required under the applicable law or accounting standards, for material foreseeable losses, if any, on long-term contracts including derivative contracts.
 - iii. The Company has no amounts required to be transferred to Investor Education and Protection Fund.

For **GOPALAIYER AND SUBRAMANIAN**
Chartered Accountants
(Firm registration number: 000960S)
(Sd/-) CA.R.MAHADEVAN

Place: Coimbatore.

Date: 18.06.2018

Partner
(Membership No. 027497)

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 any 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 comments 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, 2018 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.

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: 18.06.2018

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”)

We have audited the internal financial controls over financial reporting of **SRI KANNAPIRAN MILLS LIMITED** (“the Company”) as of March 31, 2018 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

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

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.

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

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

Meaning of Internal Financial Controls over Financial Reporting

A company’s internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company’s internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2)

Sri Kannapiran Mills Limited

provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls over Financial Reporting

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

Opinion

In our opinion, to the best of our information and according to the explanations given to us, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2018, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

For **GOPALAIYER AND SUBRAMANIAN**
Chartered Accountants
(Firm registration number: 000960S)

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

Place: Coimbatore.

Date: 18.06.2018

Sri Kannapiran Mills Limited

Balance Sheet as at 31st March, 2018

(Rs. in Lakhs)

Particulars	Note No.	31-03-2018	31-03-2017
EQUITY AND LIABILITIES			
Shareholders' Funds			
Share capital	2	3 63.66	3 63.66
Reserves and surplus	3	51 84.64	43 74.99
Non-current liabilities			
Long Term Borrowings	4	16 39.17	15 70.55
Deferred tax liabilities (Net)	5	11 66.00	11 01.77
Other Payable	6	1 11.09	1 07.31
Long Term provisions	7	2 49.84	2 08.82
Current liabilities			
Short Term Borrowings	8	26 33.08	25 79.44
Trade payables	9	33 52.88	28 28.69
Due to Micro, Small & Medium Enterprises		-	-
Other current liabilities	10	11 34.41	16 57.23
Short-term provisions	11	41.92	37.77
TOTAL		158 76.69	148 30.23
ASSETS			
Non-current assets			
Fixed assets	12		
(i) Tangible assets (Property, Plant & Equipments)		75 29.49	70 10.32
(ii) Intangible assets		0.05	0.05
(iii) Capital work-in-progress		-	-
TOTAL		75 29.54	70 10.37
Non-current investments	13	8 55.13	8 37.38
Long-term loans and advances	14	6 14.15	6 45.45
Other Non current assets	15	1 01.57	1 29.69
Current assets			
Inventories	16	13 67.41	19 41.39
Trade receivables	17	40 64.81	25 19.98
Cash and cash equivalents	18	2 73.61	2 48.85
Short-term loans and advances	19	8 32.39	12 02.06
Other current assets	20	2 38.08	2 95.06
TOTAL		158 76.69	148 30.23
Significant Accounting Policies	1		
Additional information to Financial statement	28		

See accompanying notes to the financial statements

(Sd/-) **KG Baal Krishnan**

Chairman

DIN No : 00002174

In terms of our Report of even date

For **Gopalaiyer and Subramanian**

Firm Regd. No.000960S

Chartered Accountants

(Sd/-) **CA R Mahadevan**

Coimbatore
18th June, 2018

Partner

Membership No. 027497

(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

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

(Rs. in Lakhs)

Particulars	Note No.	31-03-2018	31-03-2017
REVENUE			
Revenue from operations	21	189 98.87	176 65.03
Other income	22	1 43.19	1 77.14
Total Revenue		191 42.05	178 42.17
EXPENSES			
Cost of materials consumed	23	76 76.00	67 46.77
Purchases of stock in trade		5 66.10	7 56.08
Changes in inventories of finished goods and work-in-progress and Stock-in-Trade	24	3 62.08	-95.10
Power & Fuel		23 21.41	22 98.10
Employee benefits expense	25	32 63.28	29 15.65
Finance costs	26	7 62.24	8 53.40
Depreciation		4 61.26	4 55.70
Other expenses	27	25 88.89	28 93.62
Total Expenses		180 01.28	168 24.22
Profit before tax		11 40.78	10 17.95
Tax expense:			
Current Tax (MAT)		-2 63.77	-2 02.86
(Less) : Mat Credit Entitlement		-	1 84.07
Deferred tax Liability		-64.23	-2 81.26
Income Tax for Prior Year		-3.13	0.03
Profit after tax		8 09.64	7 17.87
Earnings per equity share			
Basic and Diluted Earnings per share (in Rs.) (Face value Rs. 10/- per share)		22.26	14.68

Significant Accounting Policies	1
Additional Information to Financial statements	28

See accompanying notes to the financial statements

(Sd/-) **KG Baal Krishnan**

Chairman

DIN No : 00002174

In terms of our Report of even date

For Gopalaiyer and Subramanian

Firm Regd. No.000960S

Chartered Accountants

(Sd/-) **CA R Mahadevan**

Coimbatore
18th June, 2018

Partner

Membership No. 027497

(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

Rs.lakhs

CASH FLOW STATEMENT FOR THE YEAR ENDED 2017 - 2018	31.03.2018	31.3.2017
A. Cash flow from operating activities:		
Net profit before tax	11 40.78	10 17.95
Adjustments for:		
Depreciation	4 61.26	4 55.70
Profit on Sale of Assets	-5.96	-33.01
Interest Income	-40.56	-46.24
Dividend Income	-23.07	-23.00
Interest Paid	7 62.24	8 53.40
Operating profit before working capital changes	22 94.69	22 24.79
(Increase) / Decrease in Trade and other receivables	-11 49.34	3 02.61
(Increase) / Decrease in Inventories	5 73.98	-4 37.10
(Increase) / Decrease in Trade and other payables	44.52	1 30.54
Cash generated from operations	17 63.85	22 20.85
Direct taxes paid	-1 46.54	-1 75.57
Net cash from operating activities	16 17.31	20 45.27
B. Cash flow from investing activities:		
Purchase of Fixed assets	-9 83.54	-7 33.24
Proceeds from Sale of fixed assets	9.06	2 98.87
Sale of Investments	1 07.06	35.48
Purchase of Investment	-1 24.82	-87.95
Interest Received	39.45	45.26
Dividend Received	23.07	23.00
Net cash used in investing activities	-9 29.72	-4 18.58
C. Cash flow from financing activities :		
Long term borrowings received	3 48.47	378.05
Long term borrowings repaid	-2 79.85	-6 46.62
Short term borrowings	53.64	-4 20.63
Interest paid	-7 85.10	-8 63.87
Buy back of Shares	-	-36.66
Net cash used in financing activities	-6 62.84	-15 89.73
Net increase in cash and cash equivalents	24.75	36.96
Cash and cash equivalents at beginning of the period	2 48.85	2 11.89
Cash and cash equivalents at end of the period	2 73.61	2 48.85
Components of Cash and cash equivalents as at 31st March		
Cash and cheques on hand	16.51	16.81
In Current Account	41.34	34.82
In Deposit Account	2 15.75	1 97.22
	2 73.61	2 48.85

See accompanying notes to the financial statements

(Sd/-) **KG Baal Krishnan**

Chairman

DIN No : 00002174

In terms of our Report of even date

For **Gopalaiyer and Subramanian**

Firm Regd. No.000960S

Chartered Accountants

(Sd/-) **CA R Mahadevan**

Coimbatore
18th June, 2018

Partner

Membership No. 027497

(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 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) Direct Sales as reported are net of Sales Tax.
- 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.

Sri Kannapiran Mills Limited

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.

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

(Rs. in Lakhs)

	Numbers 31-03-2018	Numbers 31-03-2017	Amount 31-03-2018	Amount 31-03-2017
2. SHARE CAPITAL				
Number and amount of Equity shares authorized	6000000	6000000	600.00	600.00
Number and amount of pref. shares authorized	300000	300000	300.00	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	3682880	363.65	368.29
Add: Forfeited Shares	100	100	0.01	0.01
Less: Buy back shares	-	46 401	0.00	4.64
			363.66	363.66
Par value per Equity share (In Rs.)			10.00	10.00
Reconciliation of number of shares				
Number of Equity shares at the beginning	3636579	3682980		
Less : Adjustments during the year	-	46401		
Number of Equity shares at the end of the reporting period	3636579	3636579		
Shareholders holding more than 5 percent Equity shares	No of Shares	No of Shares	% 2018	% 2017
Mr KG Baalakrishnan	791516	507375	21.76%	13.95%
Mr B Srihari	196275	175368	5.39%	4.82%
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 Rs.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 immediately preceding five previous years. 46401 equity shares were bought back by the Company during the year 2016-17.				
3. RESERVES AND SURPLUS			31.3.2018	31.3.2017
General Reserve				
As per last Balance Sheet			37 87.75	38 24.41
Less : Utilisation against Buy back of Equity Shares			-	32.02
Less : Transfer to Capital Redemption Reserve			-	4.64
Closing balance			37 87.75	37 87.75
Capital Redemption Reserve				
As per last Balance Sheet			4.64	-
Add: Transfer from General Reserve towards Buy Back of Equity Shares			-	4.64
			4.64	4.64
Surplus				
As per last Balance Sheet			5 82.60	-1 35.27
Add: Transfer from Profit & Loss statement			8 09.64	7 17.87
Closing balance			13 92.25	5 82.60
Reserves and Surplus			51 84.64	43 74.99
NON CURRENT LIABILITIES				
4. LONG TERM BORROWINGS				
Secured				
Term Loans from Banks			11 82.75	12 04.06
LC Liability for Capital Goods-Indian Bank			4 35.01	3 52.29
Unsecured				
Long Term maturities of Finance lease obligations			9.15	1.95
Loans and advances from related parties-Deposits from Director-unsecured			12.25	12.25
TOTAL			16 39.17	15 70.55
There is no case of default as on the balance sheet date in repayment of loans and interest				

Sri Kannapiran Mills Limited

Notes forming part of financial statements

Term loans from Indian Bank (IB), The South Indian Bank Limited (SIB) and State Bank of India (SBI) are secured by first pari passu charge on (a) all immovable properties and (b) all plant and machineries including machineries and other movable fixed assets (excluding vehicles charged to ICICI Bank Ltd) and second pari-passu charge on stock-in-trade and book debts value of the Company from time to time.

South Indian Bank has lien on the shares of face value of Rs.200 lakhs (2000000 shares of Rs.10 each) held by the Company as investment in KG Denim Limited to secure the Term loan and working capital limits of the Company

The term loans from IB, SIB and SBI are also guaranteed by Mr K G Baalakrishnan, Chairman, Mr B Sriramulu and Mr B Srihari Managing Directors.

(Rs. in Lakhs)

Name of the bank	Outstanding Amount	No of Instalment	Interest %	Periodicity
Indian Bank	19.71	8	10.25	Monthly
	13.88	9	10.25	Monthly
	12.47	12	10.25	Monthly
	28.02	12	10.25	Monthly
	39.80	7	10.25	Monthly
	40.93	35	10.25	Monthly
	276.08	35	10.25	Monthly
758.51	60	10.25	Monthly	
*LC Liability for Capital goods will be paid out of Term Loan realising by Indian Bank in October 2018 & Dec 2019.	435.01	-	-	
State Bank of India	36.96	11	12.75	Monthly
	25.19	36	12.75	Monthly
	169.16	36	12.75	Monthly
The South Indian Bank Limited	18.60	8	10.50	Monthly
	16.68	35	10.50	Monthly
	112.40	36	10.50	Monthly

(Rs. in Lakhs)

5. DEFERRED TAX LIABILITIES	31.3.2018	31.3.2017
Deferred Tax Asset:		
On account of Unabsorbed Depreciation	-	-
Provision for Gratuity	96.46	81.52
	<u>96.46</u>	<u>81.52</u>
Deferred Tax Liability:		
On account of Depreciation	12 62.46	11 83.29
Net Deferred Tax Liabilities	<u>11 66.00</u>	<u>11 01.77</u>
6. OTHER LONG TERM LIABILITIES		
Other Payable	1 11.09	1 07.31
	<u>1 11.09</u>	<u>1 07.31</u>
7. LONG TERM PROVISIONS		
Provision for Gratuity	2 49.84	2 08.82
	<u>2 49.84</u>	<u>2 08.82</u>

Sri Kannapiran Mills Limited

(Rs. in Lakhs)

Notes forming part of financial statements

31.3.2018

31.3.2017

Current liabilities

8. SHORT TERM BORROWINGS

Loans and advances repayable on demand
from banks - Secured

	26 33.08	25 79.44
	26 33.08	25 79.44

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

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 and plant and machineries (excluding vehicles charged to financiers). The entire working capital is also guaranteed by Mr K G Baalakrishnan, Chairman, Mr B Sriramulu and Mr B Srihari, Managing Directors.

9. TRADE PAYABLES

Due to Micro, Small & Medium Enterprises
Others

	-	-
	33 52.88	28 28.69
	33 52.88	28 28.69

10. OTHER CURRENT LIABILITIES

Current maturities of long term debt - Secured - Refer Note No:4
Current maturities of finance lease obligations -
Secured - Refer Note No. 4
Interest accrued and due on borrowings
Advances from Customers
Provision for Tax (Net of Advance Tax)
Other Payables

	3 85.65	8 38.05
	9.00	3.40
	-	22.86
	11.59	99.29
	28.66	-
	6 99.50	6 93.63
	11 34.41	16 57.23

11. SHORT-TERM PROVISIONS

Provision for Gratuity

	41.92	37.77
	41.92	37.77

12. FIXED ASSETS

Description of Assets	Gross Block				Depreciation				Net Block	
	As at 01.04.2017	Additions during the year	Sales during the year	As at 31.03.2018	Up to 31.03.2017	For the Year	Withdrawn for the Year	Upto 31.03.2018	As at 31.03.2018	As at 31.03.2017
Tangible Assets										
1. Land	1 28.67	-	-	1 28.67	-	-	-	-	1 28.67	1 28.67
2. Building	22 44.49	1 45.85	-	23 90.34	9 69.51	59.25	-	10 28.76	13 61.57	12 74.98
3. Machinery	1 17 54.59	7 63.44	30.52	1 24 87.51	68 75.93	2 91.95	29.00	71 38.88	53 48.62	48 78.66
4. Elec. Machinery	16 14.58	30.88	-	16 45.46	10 76.43	79.02	-	11 55.46	4 90.01	5 38.15
5. Furniture & Fixtures	3 69.93	5.20	-	3 75.14	3 55.68	1.86	-	3 57.54	17.59	14.25
6. Office Equipment	27.25	5.40	-	32.65	9.62	5.49	-	15.11	17.54	17.63
7. Motor Vehicles	2 41.65	-	14.98	2 59.43	83.66	23.69	13.41	93.94	1 65.49	1 57.98
Intangible Assets										
8. Software	7.12	-	-	7.12	7.07	-	-	7.07	0.05	0.05
TOTAL	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	70 10.37
Previous Year	1 66 15.07	7 33.24	9 60.03	1 63 88.28	96 16.39	4 55.70	6 94.18	93 77.91	70 10.37	69 98.68

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

Sri Kannapiran Mills Limited

Notes forming part of financial statements

		(Rs. in lakhs)			
Non-Current Investments					
13. INVESTMENTS IN EQUITY INSTRUMENTS (At Cost)		31.03.2018	31.03.2017	31.03.2018	31.03.2017
	Non Trade- Quoted-Fully paid up	Face value	Nos.	Nos.	Amount
					Amount
	Rajshree Sugars and Chemicals Ltd.	10	5,000	5,000	0.50
	IDBI Bank Limited	10	14,240	14,240	11.57
	Indian Bank	10	1,000	1,000	0.91
	The South Indian Bank Ltd	10	4,323	4,323	0.61
	Trade Investments - Quoted				
	K G Denim Limited	10	3,065,183	3,065,183	4 23.85
	Trade Investments - Un quoted				
	K G Fabriks Limited	10	2,825,575	2,825,575	2 82.56
	Trade Investments - Unquoted				
	iEnergy Wind farms (Theni) Private Limited	10	940	3,435	0.09
	OPG Power Generation Pvt. Ltd.	10	34,700	18,700	3.90
	Watsun Infrabuild Pvt Ltd	10	822,284	-	82.23
	Ind-Barath Powergencom Limited	10	-	762,017	-
	Arkay Energy (Rameswarm) Ltd	10	406,954	-	40.70
	Poysha Power Generation Pvt Ltd	10	-	23,200	-
	Iris Ecopower Ventures Pvt Ltd	10	-	282,370	-
	Non Trade Investments - Unquoted				
	National Saving Certificate				0.25
	Kannapiran Mills Employee's Co-op. Stores Limited				0.04
	Investment in Partnership firm				
	M/s. K G House (Madras)				7.94
				8 55.13	8 37.38
	Aggregate Value of quoted investments				
	Cost			4 37.43	4 37.43
	Market value			14 10.44	27 91.47
	Aggregate amount of unquoted investments			2 86.83	3 92.00
14. LONG-TERM LOANS AND ADVANCES					
	(Unsecured, considered good)				
	Advances recoverable in cash or kind, for value to be received			60.18	58.99
	Security Deposits			11.44	12.74
	MAT Credit Entitlement			5 42.53	5 73.71
	Others			-	-
	TOTAL			6 14.15	6 45.45
15. OTHER NON CURRENT ASSETS					
	Long Term Trade Receivables			79.92	90.12
	Others				
	TUF Subsidy Receivable			21.64	39.57
	TOTAL			1 01.57	1 29.69
16. INVENTORIES (At lower of cost or net realisable value)					
	Raw materials			5 17.41	7 11.29
	Work-in-progress			65.28	1 50.24
	Finished goods			5 99.27	8 76.39
	Stores and spares			1 85.45	2 03.47
	TOTAL			13 67.41	19 41.40

Sri Kannapiran Mills Limited

Notes forming part of financial statements

(Rs. in Lakhs)

	31.3.2018	31.3.2017
17. TRADE RECEIVABLES		
(Unsecured, considered good)		
Outstanding for a period exceeding six months from the due date	83.72	96.22
Others	39 81.10	24 23.76
TOTAL	40 64.81	25 19.98
18. CASH AND BANK BALANCES		
Cash and cash equivalents		
Balances with banks		
In Current Account	41.34	34.08
Cheque on hand	-	0.74
Cash on hand	16.51	16.81
Other Bank Balances		
Deposits held as margin money	2 15.75	1 97.22
TOTAL	2 73.61	2 48.85
19. Short-term loans and advances		
(Unsecured, Considered Good)		
Advances recoverable in cash or in kind, or for value to be received	7 16.74	8 52.08
Security Deposit	90.53	2 23.22
Prepaid expenses	25.12	35.79
Advance taxes (Net of Provisions therefor)	-	90.97
TOTAL	8 32.39	12 02.06
20. OTHER CURRENT ASSETS		
Interest accrued on Bank Deposits	4.33	3.21
Income Receivable		
TUF Subsidy Receivable	11.99	37.19
DEPB & Duty draw back receivable	1.81	12.03
Conversion Charges Receivable	2 19.96	2 42.63
TOTAL	2 38.08	2 95.06

Sri Kannapiran Mills Limited

Notes forming part of financial statements

(Rs. in Lakhs)

	31.3.2018	31.3.2017
21. Revenue from operations		
a) Sale of products		
Yarn	127 46.97	111 51.12
Glove	6 13.02	3 47.31
Fabric	22.90	3 31.05
Waste	46.36	40.30
Sub Total	134 29.26	118 69.79
b) Sale of services		
Conversion Charges	55 42.36	57 43.25
Sub Total	55 42.36	57 43.25
c) Other operating revenues:		
Export Incentives	27.25	51.99
Sub Total	27.25	51.99
TOTAL	189 98.87	176 65.03
22. Other income		
Interest Income	40.56	46.24
Dividend Income	23.07	23.00
Profit on sale of assets	5.96	33.01
Foreign Exchange (gain)-Net	-	16.54
Miscellaneous receipts	73.60	58.35
TOTAL	1 43.19	1 77.14
23. Cost of materials consumed		
Opening Stock		
Raw material - Cotton & Waste Cotton	7 07.87	3 90.85
Waste - Cotton	3.42	1.06
Add : Purchases - Cotton & Waste Cotton	77 06.47	70 66.15
	84 17.75	74 58.06
Less : Sale of Rawmaterial	2 24.34	-
Less: Closing Stock		
Raw material - Cotton & Waste Cotton	5 15.00	7 07.87
Waste - Cotton	2.41	3.42
TOTAL	76 76.00	67 46.77

Sri Kannapiran Mills Limited

Notes forming part of financial statements

(Rs. in Lakhs)

	31.3.2018	31.3.2017
24. Changes in inventory of Finished Goods and WIP		
Opening Stock		
Finished Goods - Yarn	8 50.37	7 27.18
Finished Goods - Glove	26.02	1 16.64
Work in Process	1 50.24	87.70
SUB TOTAL	<u>10 26.63</u>	<u>9 31.53</u>
Closing Stock		
Finished Goods - Yarn	5 88.66	8 50.37
Finished Goods - Glove	10.61	26.02
Work in Process	65.28	1 50.24
SUB TOTAL	<u>6 64.55</u>	<u>10 26.63</u>
Stock Increase / (Decrease)	(3 62.08)	95.10
25. EMPLOYEE BENEFITS EXPENSES		
Salaries and wages	28 72.54	25 58.97
Contribution to provident and other funds	1 04.44	92.63
Gratuity expenses	58.56	41.42
Welfare expenses	2 07.98	2 03.00
MD Remuneration	19.77	19.62
TOTAL	<u>32 63.28</u>	<u>29 15.65</u>
26. FINANCE COST		
Interest expenses	7 62.24	8 53.40
TOTAL	<u>7 62.24</u>	<u>8 53.40</u>
27. OTHER EXPENSES		
Consumption of stores and spare parts	3 00.18	2 25.87
Consumption of packing materials	2 57.16	2 51.23
Repairs to buildings	83.88	1 14.11
Repairs to machinery	8 60.15	8 51.70
Bank Charges	53.47	35.94
Insurance	18.57	22.66
Rates and taxes, excluding, taxes on income	25.72	33.70
Accountancy and legal charges	40.19	24.00
Filing Fees	0.13	0.15
Brokerage & Commission	1 41.85	1 29.30
Selling Expenses	17.40	23.63
Carriage Outwards	78.95	1 26.24
Lease Rent	20.41	18.38
Auditors Remuneration	2.89	3.88
Sitting Fees	1.16	1.86
CSR Expenses	17.82	12.67
Processing Charges	3 93.34	5 58.52
Prayer Hall Expenses	36.57	35.39
Foreign exchange fluctuation loss	7.94	-
Bad Debts Written Off	-	1 90.91
Miscellaneous expenses	2 31.10	2 33.48
TOTAL	<u>25 88.89</u>	<u>28 93.62</u>

Sri Kannapiran Mills Limited

28. Additional Information to Financial Statement

1. Estimated amount of contracts remaining to be executed on capital accounts not provided for as on 31.3.2018 is Rs.387.02 lakhs (31.3.2017 : Rs.98 lakhs).
2. Future Hire Purchase charges payable as on 31.3.2018 is Rs.2.33 lakhs. (Previous year 0.46 lakhs)
3. Income-tax Assessment for the Assessment years 2016-17 and onwards is pending.
4. Vehicle Loans from ICICI Bank Limited are secured by way of hypothecation of respective vehicles.

5.	a) Value of imports – CIF basis	31.3.2018			31.03.2017
			(Rs. lakhs)		
	i) Raw materials	347.59			–
	ii) Spares and components	106.09			96.59
	iii) Capital goods	321.52			415.53
	b) Consumption		Imported	Indigenous	
	i) Raw materials Value (Rs lakhs)	357.02	7303.54	–	6746.77
	As a % of total raw material consumption	4.67%	95.33%	–	100%
	ii) Spares and components (Rs lakhs)	117.50	1044.13	99.68	977.88
	As a % of total Repairs and Maintenance	10.12%	89.88%	9.25%	90.75%
6.	i) Expenditure in Foreign Currency		Rs Lakhs		Rs Lakhs
	Travelling Expenses		1.45		1.53
	ii) Earnings in Foreign Currency on Export of Goods - FOB Basis Direct Export		1168.05		1625.60
	iii) Export through Merchant Exporters		8.78		65.06
	iv) Interest on Foreign Currency Loan		8.67		–
7.	Auditors' remuneration	31.03.2018			31.03.2017
	Audit Fees	2.25			2.01
	Income-tax representation fees	0.25			0.17
	Tax Audit Fees	0.25			0.35
	Certification Fees	0.14			1.25
	Travelling Expenses	-			0.10
		2.89			3.88

Sri Kannapiran Mills Limited

8. 6 Years National Savings Certificate of Rs 100/- has not been reflected in the Balance Sheet under the heading investments due to rounding off.
9. Particulars regarding investment in the capital of the partnership firm.

Name of the Firm:- K G House (Madras)
 Total Capital of the Firm Rs 16,18,400/-

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

10. Rs.1,36,931/- on account of decrease in foreign currency exchange relating to purchase of capital goods and restatement of parties, is debited in Profit and Loss account.
11. Balance of certain Creditors, Debtors, Loans and Advances given are subject to confirmation and reconciliation, if any. However in the opinion of management, there would not be any material impact on financial statements.
12. The segmental reporting as required under AS-17 is not applicable as the Company operates in only one segment, i.e. Textile.

13. AS 15 Employee Benefits

A. Defined Benefit Plan

I. Principal Actuarial Assumptions	31.03.2018	31.03.2017
Discount Rate	7.80%	7.40%
Salary Escalation Rate	4.00%	4.00%
Attrition Rate	1.00%	1.00%
Expected Rate of Return on Plan Assets	0.00%	0.00%
	(Rs. in lakhs)	(Rs. 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	246.59	218.93
Interest Cost	18.23	17.28
Current Service Cost	23.44	19.88
Past Service Cost - (Non Vested Benefits)	0	0
Past Service Cost - (Vested Benefits)	0	0
Benefits Paid	-14.89	-13.76
Actuarial loss / (gain) on obligation (balancing figure)	18.39	4.26
PVO as at the end of the period	291.76	246.59
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

Sri Kannapiran Mills Limited

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	18.39	4.26
Actuarial gain / (loss) on plan assets	0	0
Total gain / (Loss) for the period	18.39	4.26
Actuarial gain / (loss) recognised in the period	18.39	4.26
Unrecognised actuarial (gain) / loss at the end of the year	5.53	-7.87

VI. Expenses recognised in the statement of profit and loss

Current service cost	23.44	19.88
Interest Cost	18.23	17.28
Expected return on plan assets	0	0
Net actuarial (gain)/loss recognised in the year	18.39	4.26
Expenses recognised in the statement of profit and loss	60.07	41.42

VII. Movements in the liability recognised in the balance sheet

Opening net liability	246.59	218.93
Expense as above	60.07	41.42
Contribution paid	(14.89)	(13.76)
Closing net liability	291.76	246.59

Note:

- i. 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.
- ii. Gratuity is based on last drawn basis 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	104.44	92.63
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14. AS-18 RELATED PARTY DISCLOSURES :

Names of related parties :

1. Key Management Personnel :
 - a. Dr G Bakthavathsalam, MD
 - b. Mr B Sriramulu, MD
 - c. Mr B Srihari, MD
 - d. Mr G Krishnakumar, CFO

2. Relatives of Key Management Personnel :
 - a. Mr KG Baalakrishnan
 - b. Mrs B Sathyabama

3. Other Related Parties :
 - a. KG Denim Limited
 - b. KG Fabriks Limited
 - c. Sri Balamurugan Textile Processing Limited
 - d. RND Softech Pvt Ltd
 - e. Sri Karthikeya Spg & Wvg Mills Pvt Ltd



Sri Kannapiran Mills Limited

(Rs. In Lakhs)

Particulars	Other Related Parties		Key Management Personnel		Relatives of Key Management Personnel	
	2018	2017	2018	2017	2018	2017
Purchase of Goods/Power						
- KG Fabriks Limited	3.29	6.45	-	-	-	-
- K G Denim Limited	673.00	642.52	-	-	-	-
- Sri Balamurugan Textile Processing Limited	1.67	0.27	-	-	-	-
- Sri Karthikeya Spinning & Wvg Mills Pvt Ltd	-	24.45	-	-	-	-
Sale of Goods						
- KG Fabriks Limited	483.62	155.64	-	-	-	-
- K G Denim Limited	401.41	84.39	-	-	-	-
- Sri Balamurugan Textile Processing Limited	0.68	2.00	-	-	-	-
- Sri Karthikeya Spinning & Wvg Mills Pvt Ltd	-	24.45	-	-	-	-
Rendering of Services - Conversion charges (Receipt)						
- KG Fabriks Limited	2801.79	2475.91	-	-	-	-
- K G Denim Limited	2282.19	2598.34	-	-	-	-
- Sri Balamurugan Textile Processing Limited	-	0.66	-	-	-	-
Rendering of Services - Conversion charges (paid)						
- Sri Balamurugan Textile Processing Limited	64.47	128.76	-	-	-	-
- KG Fabriks Limited	12.11	13.86	-	-	-	-
Rendering of Services - Others (paid)						
- RND Softech Pvt Limited	2.46	2.70	-	-	-	-
Managerial Remuneration						
- Dr G Bakthavathsalam	-	-	7.62	7.62	-	-
- B Sriramulu	-	-	6.00	6.00	-	-
- B Srihari	-	-	6.15	6.00	-	-
- G Krishnakumar-CFO	-	-	8.86	7.35	-	-
Sitting Fees						
KG Baalakrishnan	-	-	-	-	0.20	0.40
Lease Rent						
- K G Denim Limited	0.67	0.64	-	-	-	-
- Mrs B Sathyabama	-	-	-	-	18.00	16.87
Balance Outstanding as on 31st March						
Payables						
- B Srihari	-	-	-	-	12.75	12.75
- B Sriramulu	-	-	-	-	0.50	0.50
- Dr G Bakthavathsalam	-	-	-	-	0.50	0.50
- RND Softech Pvt Limited	0.40	0.40	-	-	-	-
Receivables						
- Sri Balamurugan Textile Processing Limited	372.53	360.28	-	-	-	-
- K G Denim Limited	153.59	14.12	-	-	-	-
- KG Fabriks Limited	2012.10	1361.38	-	-	-	-

Sri Kannapiran Mills Limited

15 . 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.

(Rs. In Lakhs)

Particulars	31.03.2018	31.03.2017
Not later than one year	18.00	18.52
Later than one year but not later than five years	9.57	9.41
Later than Five years	-	-

16. AS-20 EARNINGS PER SHARE

	31.03.2018	31.03.2017
Net profit after tax and adjustments	810.32	533.81
Weighted average No of Equity Shares -	36,36,579	36,36,579
Basic & Diluted Earnings Per Share -	22.28	14.68
(Face value of Rs. 10/- each)		

17. AS – 22 DEFERRED TAX LIABILITY	Opening as on 01.04.2017	Adjustments made during the year	Closing as on 31.03.2018
Deferred Tax Liability			
Depreciation	1183.29	79.17	1262.46
Total	1183.29	79.17	1262.46
Deferred Tax Asset			
Unabsorbed Depreciation	-	-	-
Provision for Gratuity (Net)	81.52	14.94	96.46
Total	81.52	14.94	96.46
Net Deferred Tax Asset / (Liability)	(1101.77)	64.23	(1166.00)

18. a) There is tax demand from Income Tax department in respect of A.Y.1994-95 to the extent of 223.72 lakhs. However no provision is made in the accounts, as the assessing officer has to give consequential benefits for the subsequent years in respect of depreciation as per the recent directions given by CIT(A), Cbe and the revised tax liability for A.Y.1994-95 will have to be arrived based on revision order.
- b) 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 Rs.57,69,147 and the Company had filed an appeal with Madras High court and the same is pending. The Company has paid an amount of Rs. 20,00,000/- in this regard "under protest". The Company has fair chances of winning the appeal and hence not provided the same in accounts.
- c) 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 Rs.76,10,619/- towards self Generating Tax and Rs. 52,98,558/- towards E-tax payable on MD is pending as on 31.03.2018 and shown as liability in the books of accounts.
19. Power charges shown in the statement of profit and loss account is net of wind energy charges to the extent of Rs. 196.72 adjusted by TNEB.
20. Corporate Guarantee has been given by Sri Kannapiran Mills Limited to Indian Overseas Bank on behalf of KG Fabriks Limited to secure their loan to the extent of Rs. 3000 lakhs(Outstanding as on 31.03.2018 - Rs. 1921.14 lakhs)

Sri Kannapiran Mills Limited

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

		31.03.2018	31.03.2017
a)	Principal amount due	-	-
	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	-	-

22. 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.

23. **Details of Miscellaneous expenses :**

(Rs. In Lakhs)

	31.03.2018	31.03.2017
Printing & Stationary	10.83	13.43
Postage & Telephone	11.95	15.33
Subscription, newspaper & Advertisement	6.68	3.96
Travelling and maintenance of vehicle	168.06	157.83
Garden maintenance	2.51	4.13
Agriculture expenses	4.53	3.44
Repairs & maintenance - others	25.44	34.14
Donation	1.00	-
General Expenses	0.10	1.21
	231.10	233.48

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 Gopalaier and Subramanian
 Firm Regd. No.000960S
 Chartered Accountants

Coimbatore
18th June, 2018

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

(Sd/-) KG Baal Krishnan
 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

(Rs. in thousands).....

	For the year ended March 31									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Net Sales										
(less excise duty)	1 21 99 36	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
Conversion Charges	27 49 29	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
Other Income	1 62 43	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
Profit before Interest and Depreciation	8 56 26	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
Financial Charges	8 35 37	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
Depreciation	9 70 24	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
Profit before Taxation	-9 49 35	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
Profit after Taxation	-9 49 35	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
Gross Fixed Assets	1 48 25 11	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
Net Fixed Assets	75 77 57	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
Net Current Assets	6 81 98	10 62 22	13 41 77	6 03 94	11 36 75	6 31 51	91 63	1 29 89	5 91 12	6 22 81
Share Capital	3 68 30	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
Reserves & Surplus	31 52 42	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
Deferred Tax Liability	6 36 11	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
Long Term Borrowings	48 54 35	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
Debt Equity Ratio	1.17	1.16	0.98	1.24	1.39	1.34	1.02	0.73	0.51	0.30
Current Ratio	1.12	1.19	1.22	1.17	1.21	1.09	1.01	1.02	1.07	1.05



SRI KANNAPIRAN MILLS LIMITED

CIN : U17111TZ1946PLC000188

Registered Office: Sowripalayam, Coimbatore 641 028

Phone 0422 - 2351111 :: Fax 0422 - 2351110

Email: csd@kannapiran.co.in Website : www.kannapiran.co.in

NOTICE OF ANNUAL GENERAL MEETING

NOTICE is hereby given that the 72nd Annual General Meeting of the Members of SRI KANNAPIRAN MILLS LIMITED will be held on Thursday the 27th day of September, 2018 at Sri Kannapiran Mills Premises, Sowripalayam, Coimbatore 641 028 at 10.00 a.m. to transact the following business.

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Profit and Loss Account for the year ended March 31, 2018 and Balance Sheet as on that date and the Reports of the Directors and Auditors thereon.
2. To appoint a Director in place of Dr G Bakthavathsalam (holding DIN 00007132), who retires by rotation and is eligible for reappointment.
3. To appoint a Director in place of Mr B Srihari, (holding DIN 00002556), who retires by rotation and is eligible for reappointment.

SPECIAL BUSINESS

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

RESOLVED that pursuant to Sections 196, 197, 198 read with Schedule V and other applicable provisions of the Companies Act, 2013, approval of the members be and is hereby accorded for the reappointment of Dr G Bakthavathsalam (holding DIN 00007132) as Managing Director of the Company for three years from 15th September, 2018 to 14th September, 2021 on the following terms and conditions:

- 1) Salary : Rs.12,00,000/- (Rupees twelve lakhs only) per annum.
- 2) Perquisites :
 - a) Medical Reimbursement
Medical expenses incurred for self and family, subject to a ceiling of one month's salary in a year or three month's salary over a period of three years.
 - b) Leave Travel Concession
For self and family once in a year incurred in accordance with the rules specified by the Company.
 - c) Club Fees
Fees of clubs to a maximum of two clubs. This will not include admission and life membership fees.
 - d) Personal Accident Insurance
Premium not to exceed Rs.25,000 per annum.
 - e) Provident Fund
Company's contribution to Provident Fund at the rate of 12% of the salary.
 - f) Superannuation Fund
Company's contribution towards Superannuation Fund as per the rules of the Company, but shall not together with the Company's contribution to the Provident Fund exceed 27% of the salary as laid down under Income Tax Rules, 1962.
 - g) Gratuity
Gratuity payable shall not exceed half a month's salary for each completed year of service.
 - h) Conveyance and Communication
The Company shall provide a car, a mobile phone and telephone facility at the residence of the Managing Director. The provision of car and telephone at residence will not be considered as perquisites. Personal long distance calls on telephone and use of car for private purposes shall be billed by the Company to the Managing Director.

FURTHER RESOLVED that pursuant to Sections 196, 197, 198 of the Companies Act, 2013, the remuneration and perquisites shall be subject to the overall ceiling mentioned. In the event of absence or inadequacy of profits in any Financial Year during the period, the remuneration would be paid as above shall be minimum remuneration payable under Paragraph I (A) of Section II of Part II of Schedule V of the Companies Act, 2013 as modified from time to time.

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

RESOLVED that pursuant to Sections 196, 197, 198 read with Schedule V and other applicable provisions of the Companies Act, 2013, approval of the members be and is hereby accorded for the reappointment of Mr B Sriramulu (holding DIN 00002560) as Managing Director of the Company for five years from 4th June, 2018 to 3rd June, 2023 on the following terms and conditions:

- 1) Salary : Rs.12,00,000/- (Rupees twelve lakhs only) per annum.
- 2) Perquisites :
 - a) Medical Reimbursement
Medical expenses incurred for self and family, subject to a ceiling of one month's salary in a year or three month's salary over a period of three years.
 - b) Leave Travel Concession
For self and family once in a year incurred in accordance with the rules specified by the Company.
 - c) Club Fees
Fees of clubs to a maximum of two clubs. This will not include admission and life membership fees.
 - d) Personal Accident Insurance
Premium not to exceed Rs.25,000 per annum.
 - e) Provident Fund
Company's contribution to Provident Fund at the rate of 12% of the salary.
 - f) Superannuation Fund
Company's contribution towards Superannuation Fund as per the rules of the Company, but shall not together with the Company's contribution to the Provident Fund exceed 27% of the salary as laid down under Income Tax Rules, 1962.
 - g) Gratuity
Gratuity payable shall not exceed half a month's salary for each completed year of service.
 - h) Conveyance and Communication
The Company shall provide a car, a mobile phone and telephone facility at the residence of the Managing Director. The provision of car and telephone at residence will not be considered as perquisites. Personal long distance calls on telephone and use of car for private purposes shall be billed by the Company to the Managing Director.

FURTHER RESOLVED that pursuant to Sections 196, 197, 198 of the Companies Act, 2013, the remuneration and perquisites shall be subject to the overall ceiling mentioned. In the event of absence or inadequacy of profits in any Financial Year during the period from 04.06.2018 to 03.06.2021, the remuneration would be paid as above shall be minimum remuneration payable under Paragraph I (A) of Section II of Part II of Schedule V of the Companies Act, 2013 as modified from time to time.

FURTHER RESOLVED that the Managing Director shall draw remuneration from one or two companies provided that the remuneration shall be subject to the total remuneration drawn from the companies does not exceed the higher maximum limit admissible from any one of the companies of which he is a managerial person under the provisions of Section V of Part II of Schedule V of the Companies Act, 2013 as modified from time to time.

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

RESOLVED that pursuant to Sections 196, 197, 198 read with Schedule V and other applicable provisions of the Companies Act, 2013, approval of the members be and is hereby accorded for the reappointment of Mr B Srihari (holding DIN 00002556) as Managing Director of the Company for five years from 4th June, 2018 to 3rd June, 2023 on the following terms and conditions:

- 1) Salary : Rs.12,00,000/- (Rupees twelve lakhs only) per annum.
- 2) Perquisites :
 - a) Medical Reimbursement
Medical expenses incurred for self and family, subject to a ceiling of one month's salary in a year or three month's salary over a period of three years.

- b) Leave Travel Concession
For self and family once in a year incurred in accordance with the rules specified by the Company.
- c) Club Fees
Fees of clubs to a maximum of two clubs. This will not include admission and life membership fees.
- d) Personal Accident Insurance
Premium not to exceed Rs.25,000 per annum.
- e) Provident Fund
Company's contribution to Provident Fund at the rate of 12% of the salary.
- f) Superannuation Fund
Company's contribution towards Superannuation Fund as per the rules of the Company, but shall not together with the Company's contribution to the Provident Fund exceed 27% of the salary as laid down under Income Tax Rules, 1962.
- g) Gratuity
Gratuity payable shall not exceed half a month's salary for each completed year of service.
- h) Conveyance and Communication
The Company shall provide a car, a mobile phone and telephone facility at the residence of the Managing Director. The provision of car and telephone at residence will not be considered as perquisites. Personal long distance calls on telephone and use of car for private purposes shall be billed by the Company to the Managing Director.

FURTHER RESOLVED that pursuant to Sections 196, 197, 198 of the Companies Act, 2013, the remuneration and perquisites shall be subject to the overall ceiling mentioned. In the event of absence or inadequacy of profits in any Financial Year during the period from 04.06.2018 to 03.06.2021, the remuneration would be paid as above shall be minimum remuneration payable under Paragraph I (A) of Section II of Part II of Schedule V of the Companies Act, 2013 as modified from time to time.

FURTHER RESOLVED that the Managing Director shall draw remuneration from one or two companies provided that the remuneration shall be subject to the total remuneration drawn from the companies does not exceed the higher maximum limit admissible from any one of the companies of which he is a managerial person under the provisions of Section V of Part II of Schedule V of the Companies Act, 2013 as modified from time to time.

7. To consider and if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution:
"RESOLVED that pursuant to the provisions of Sections 149, 152 and any other applicable provisions of the Companies Act, 2013, Mr K N V Ramani (holding DIN 00007931), Independent Director of the Company be and is hereby reappointed as an Independent Director of the Company to hold office for 3 years with effect from 01.04.2019 to 31.03.2022".
8. To consider and if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution:
"RESOLVED that pursuant to the provisions of Sections 149, 152 and any other applicable provisions of the Companies Act, 2013, Mr V Arunachalam (holding DIN 00051327), Independent Director of the Company be and is hereby reappointed as an Independent Director of the Company to hold office for 3 years with effect from 01.04.2019 to 31.03.2022".
9. To consider and if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution:
"RESOLVED THAT the decision to pay a Remuneration of Rs.65,000/- to Mr M Nagarajan, the Cost Auditor of the Company for the year 2018-19, as recommended by the Audit Committee and approved by the Board of Directors, be and is hereby ratified".
10. To consider and if thought fit, to pass with or without modification(s), the following Resolution as an Ordinary Resolution:
"RESOLVED THAT pursuant to Section 188 and other applicable provisions of the Companies Act, 2013 and the Rules made thereunder and any amendment thereto as are made from time to time and subject to such other approvals, consents, permissions and sanctions of any authorities as may be necessary, consent of the Company be and is hereby accorded to the Board of Directors to enter into a contract(s)/transactions for a period of 3 years with K G Denim Limited (KGDL), a related party, within the meaning of the aforesaid law,

on such terms and conditions as may be mutually agreed upon, to purchase or sell or supply of any material/ capital goods/power, the value of which all taken together may exceed ten per cent of the turnover of the Company, however, to that the value of transactions aforesaid during any financial year shall not exceed in aggregate Rs. 20 crores AND availing of / rendering of services like conversion of cotton / fibre into yarn, yarn into fabrics, processing of yarn or provision of any services, the value of which all taken together may exceed ten per cent of the turnover of the Company, however, to that the value of transactions aforesaid during any financial year shall not exceed in aggregate Rs. 40 crores.

RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorized to sign and execute necessary documents and papers on an ongoing basis and to do and perform all acts, deeds and things as may be necessary in this regard."

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

"RESOLVED THAT pursuant to Section 188 and other applicable provisions of the Companies Act, 2013 and the Rules made thereunder and any amendment thereto as are made from time to time and subject to such other approvals, consents, permissions and sanctions of any authorities as may be necessary, consent of the Company be and is hereby accorded to the Board of Directors to enter into a contract(s)/transactions for a period of 3 years with KG Fabriks Limited (KGFL), a related party, within the meaning of the aforesaid law, on such terms and conditions as may be mutually agreed upon, to purchase or sell or supply of any material/ capital goods, the value of which all taken together may exceed ten per cent of the turnover of the Company, however, to that the value of transactions aforesaid during any financial year shall not exceed in aggregate Rs. 20 crores AND availing of / rendering of services like conversion of cotton / fibre into yarn, yarn into fabrics, processing of yarn or provision of any services, the value of which all taken together may exceed ten per cent of the turnover of the Company, however, to that the value of transactions aforesaid during any financial year shall not exceed in aggregate Rs. 50 crores.

RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorized to sign and execute necessary documents and papers on an ongoing basis and to do and perform all acts, deeds and things as may be necessary in this regard."

Coimbatore
21.08.2018

By order of the Board
KG BAALAKRISHNAN
Chairman
DIN : 00002174

NOTES:

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and on a vote instead of himself. The proxy need not be a member of the Company, proxies, in order to be effective, must be received by the Company not less than 48 hours before the meeting.
2. Register of Members and the Share Transfer Book of the Company will remain closed from 21.09.2018 to 27.09.2018 (Both days inclusive).
3. Members are requested to notify any change in their address to Company's Registered Office immediately.
4. As per the green initiative taken by the Ministry of Corporate Affairs, the shareholders are advised to register their e-mail address with the Company to enable the Company to serve documents such as Notice, Annual Report etc., in electronic form.
5. Explanatory statement pursuant to Section 102 of the Companies Act, 2013 in respect of Special Business is enclosed.

Explanatory statement as required under Section 102(1) of the Companies Act, 2013

Item No. 4

Dr G Bakthavathsalam, Managing Director was reappointed for a period of three years from September 15, 2015 at the Annual General Meeting held on 26.09.2015.

As the terms of appointment of the Managing Director expires on September 14, 2018, based on the recommendation of the Nomination and Remuneration Committee, the Board of Directors at its meeting held on 21.08.2018 reappointed for a further period of three years with effect from September 15, 2018 on the terms and conditions set out in the resolutions mentioned above subject to the approval of the members. As his age exceeded the limit of 70 years as laid down in Schedule V of the Companies Act, 2013 a special resolution is proposed. Other terms and conditions are within the ceiling limits laid down in Schedule V of the Companies Act, 2013.

Dr G Bakthavathsalam MS, FICS, FCCP, FAMS, FMCC having 45 years experience in management and administration. His achievement were well recognized by the Government of India, social and religious institutions.

Dr G Bakthavathsalam is related to Mr KG Baalakrishnan, Mr B Sriramulu and Mr B Srihari, Directors who are deemed to be interested in the proposed resolution.

This explanations together with the accompanying notice may also be considered as an abstract of the terms of the appointment of Managing Director and Memorandum as to the nature of the concern or interest of the Directors in the said appointment, as required under Section 190 of the Companies Act, 2013.

Item No. 5

Mr B Sriramulu, Managing Director was appointed for a period of three years from June 4, 2015 at the Annual General Meeting held on 26.09.2015.

As the terms of appointment of the Managing Director expires on June 3, 2018, based on the recommendation of the Nomination and Remuneration Committee, the Board at its meeting held on 01.06.2018 reappointed Mr B Sriramulu as Managing Director for a further period of 5 years from 04.06.2018 on the terms as to remuneration as provided in the text to the resolution as approved by Nomination and Remuneration Committee. Other terms and conditions are within the ceiling limits laid down in Schedule V of the Companies Act, 2013.

Mr B Sriramulu is the eldest son of Mr KG Baalakrishnan, Chairman. He is a Graduate Engineer in Textile Technology from Bharathiar University, Tamil Nadu and Master of Science (Textile Technology) from the University of Manchester, UK

Mr B Sriramulu is also Managing Director of K G Denim Limited and drawing remuneration.

Mr B Sriramulu shall draw remuneration from one or both companies provided that the remuneration shall be subject to the total remuneration drawn from the companies does not exceed the higher maximum limit admissible from any one of the companies of which he is a managerial person under the provisions of Section V of Part II of Schedule V of the Companies Act, 2013 as modified from time to time.

Mr B Sriramulu is related to Mr KG Baalakrishnan, Dr G Bakthavathsalam and Mr B Srihari, Directors who are deemed to be interested in the proposed resolution.

This explanations together with the accompanying notice may also be considered as an abstract of the terms of the appointment of Managing Director and Memorandum as to the nature of the concern or interest of the Directors in the said appointment, as required under Section 190 of the Companies Act, 2013.

Item No. 6

Mr B Srihari, Managing Director was appointed for a period of three years from June 4, 2015 at the Annual General Meeting held on 26.09.2015.

As the terms of appointment of the Managing Director expires on June 3, 2018, based on the recommendation of the Nomination and Remuneration Committee, the Board at its meeting held on 01.06.2018 reappointed Mr B Srihari as Managing Director for a further period of 5 years from 04.06.2018 on the terms as to remuneration as provided in the text to the resolution as approved by Nomination and Remuneration Committee. Other terms and conditions are within the ceiling limits laid down in Schedule V of the Companies Act, 2013.

Mr B Srihari is the younger son of Mr KG Baalakrishnan, Chairman. He is a Graduate Engineer in Chemical Technology from Bharathidasan University, Tamil Nadu and Master of Science (Chemical Technology) from the university of Cornell University, USA.

Mr B Srihari is also Managing Director of K G Denim Limited and drawing remuneration.

Mr B Srihari shall draw remuneration from one or both companies provided that the remuneration shall be subject to the total remuneration drawn from the companies does not exceed the higher maximum limit admissible from any one of the companies of which he is a managerial person under the provisions of Section V of Part II of Schedule V of the Companies Act, 2013 as modified from time to time.

Mr B Srihari is related to Mr KG Baalakrishnan, Dr G Bakthavathsalam and Mr B Sriramulu, Directors who are deemed to be interested in the proposed resolution.

This explanations together with the accompanying notice may also be considered as an abstract of the terms of the appointment of Managing Director and Memorandum as to the nature of the concern or interest of the Directors in the said appointment, as required under Section 190 of the Companies Act, 2013.

Item No. 7

Mr K N V Ramani joined the Board of Directors of the Company in 1995. Mr K N V Ramani is a Non-Executive Independent Director. Mr K N V Ramani is Chairman of the Audit Committee and Member of the Nomination and Remuneration Committee of the Company.

Mr K N V Ramani, M.A., B.L., aged 86 years is a leading Advocate specialized in Corporate Laws. He has rich experience in Corporate Laws for more than four decades and has been on the Board of several Companies. M/s Ramani & Shankar, firm of Advocates headed by him consists of panel of Advocates specialized in different fields of law.

The term of office of Mr K N V Ramani as an Independent Director expires on 31.03.2019. In terms of Section 149 and any other applicable provisions of the Companies Act, 2013, Mr K N V Ramani being eligible and offering himself for reappointment, is proposed to be reappointed as an Independent Director for 3 years from 1st April, 2019 to 31st March, 2022.

In the opinion of the Board, Mr K N V Ramani fulfils the conditions specified in the Companies Act, 2013 and rules made thereunder for his appointment as an Independent Director of the Company and is independent of the management.

The Board considers that his continued association would be of immense benefit to the Company and it is desirable to continue to avail services of Mr K N V Ramani as an Independent Director.

Accordingly, the Board recommends the resolution in relation to reappointment of Mr K N V Ramani as an Independent Director, for the approval by the shareholders of the Company.

Except Mr K N V Ramani, being the reappointee, none of the Directors and Key Managerial Personnel of the Company is concerned or interested, financial or otherwise, in the resolution set out at Item No. 7.

Item nos. 8

Mr V Arunachalam joined the Board of Directors of the Company in 2005. Mr V Arunachalam is a Non-Executive Independent Director.

Mr V Arunachalam aged 56 years, is a Chartered Accountant having rich experience in capital market and administration.

The term of office of Mr V Arunachalam as an Independent Director expires on 31.03.2019. In terms of Section 149 and any other applicable provisions of the Companies Act, 2013, Mr V Arunachalam being eligible and offering himself for reappointment, is proposed to be reappointed as an Independent Director for 3 years from 1st April, 2019 to 31st March, 2022.

In the opinion of the Board, Mr V Arunachalam fulfils the conditions specified in the Companies Act, 2013 and rules made thereunder for his appointment as an Independent Director of the Company and is independent of the management.

The Board considers that his continued association would be of immense benefit to the Company and it is desirable to continue to avail services of Mr V Arunachalam as an Independent Director.

Accordingly, the Board recommends the resolution in relation to reappointment of Mr V Arunachalam as an Independent Director, for the approval by the shareholders of the Company.

Except Mr V Arunachalam, being the reappointee, none of the Directors and Key Managerial Personnel of the Company is concerned or interested, financial or otherwise, in the resolution set out at Item No. 8.

Item nos. 9

At the Board Meeting held on the 1st June, 2018 after considering the recommendation of the Audit Committee, the Directors have appointed Mr M Nagarajan, Cost Accountant, as the Cost Auditor of the Company for the year 2018-19 on a remuneration of Rs.65,000. Pursuant to the provisions of Section 148 read with the Companies (Audit and Auditors) Rules, 2014, the aforesaid remuneration approved by the Board of Directors is required to be ratified by the Shareholders.

The Ordinary Resolution appearing in the Notice is sought to be passed for this purpose.

None of the Directors is interested or concerned in the passing of the Resolution.

Item nos. 10 & 11

The Companies Act, 2013, under section 188, inter alia, provides that no contract or arrangement or transactions for sale, purchase or supply of any goods or materials exceeding ten per cent of the turnover of the Company or Rs.100 crores whichever is lower, availing/rendering of any services exceeding ten per cent of the turnover of the Company or Rs. 50 crores whichever is lower shall be entered into by the company except with the prior approval of the shareholders by an ordinary resolution.

It is proposed to continue the pre existing arrangements by afresh entering into contracts/transactions for a period of 3 years from 26.09.2018 to purchase/sell/supply materials, goods/power in the ordinary course of business and availing and/or rendering services like conversion of cotton/fibre into yarn, yarn into fabric with K G Denim Limited and KG Fabriks Limited, related parties within the definition under the Companies Act, 2013.

The aggregate value of the contracts/transactions for purchase or supply of goods or rendering or availing of services is likely to exceed the limits under Section 188 read with Rules made thereunder. Even though the related party transactions are on arm's length basis, it is proposed to obtain permission of the members to enter into such transactions with related parties under Section 188 of the Companies Act, 2013 by way of an ordinary resolution.

K G Denim Limited

K G Denim Limited is engaged in manufacturing of denim fabric and garments and is situated in Coimbatore, is giving consistent order with bulk volume for conversion of their cotton with their quality specifications. It has been doing the same conversion of K G Denim Limited's cotton/tencel fibres into yarn since 1994 i.e., for the last 23 years.

The Company and K G Denim Limited had existing contract from 26.09.2015 for a period of three years.

The particulars of the contracts/transactions, pursuant to para 3 of Explanation (1) to Rule 15 of the Companies (Meetings of Board and its Powers) Rules, 2014 are as under:

1. Name of the related party:

K G Denim Limited

2. Name of the director who is related :

Mr KG Baalakrishnan, Mr B Sriramulu, Mr B Srihari, Mr K N V Ramani and Mr A Velusamy.

3. Nature of relationship :

Related party as per Section 2(76)(v) – director's / their relatives shareholding in K G Denim Limited exceeds 2% of paid up capital

4. Monetary value :

Estimated aggregate contract value for the matters proposed in the Resolution will not exceed Rs. 60 Crores in any financial year as detailed below ;

Purchase of materials/power/capital goods	Rs.15 Crores	
Sale of materials/capital goods	<u>Rs. 5 Crores</u>	Rs.20 Crores
Availing/rendering of services like cotton/fibre into yarn, yarn into fabric, processing of yarn and other services		Rs.40 Crores
		<u>Rs.60 Crores</u>

5. Nature, material terms and particulars of arrangement:

- i) Conversion of cotton / fibre into yarn, yarn into fabrics, processing of yarn covered under Section 188(1)(d) & purchase/ sale of cotton/fibre, waste, yarn, capital goods and purchase of power covered under Section 188(1)(a) of Companies Act, 2013
- ii) The Conversion charges are being arrived based on Cost Plus method.
- iii) Purchase/Sale of Cotton/Fibre, waste, yarn and capital goods at market prices.
- iv) Purchase of power at market prices.

Period of contract : 3 years from 26.09.2018. By passing of this resolution the existing agreement terminates on 25.09.2018.

The Company is one of the promoters of K G Denim Limited with a shareholding of 11.95%.

The memorandum of terms and conditions of the transactions to be entered into with K G Denim Limited is available for inspection on all working days at the registered Office of the company except on Saturday and Sunday.

The related parties have expressed their interest in the above resolution.

None of the other directors or their relatives are in any way concerned or interested in the resolution.

KG Fabriks Limited

KG Fabriks Limited is engaged in manufacturing of denim fabric and is situated in Perundurai, Erode, is giving consistent order with bulk volume for conversion of their cotton with their quality specifications. It has been doing the same conversion of KG Fabriks Limited’s cotton fibres into yarn since 2005 i.e., for the last 12 years.

The Company and KG Fabriks Limited had existing contract from 26.09.2015 for a period of three years.

1. Name of the related party:

KG Fabriks Limited

2. Name of the director who is related :

Mr KG Baalakrishnan, Mr B Sriramulu, Mr B Srihari and Mr A Velusamy.

3. Nature of relationship :

Related party as per Section 2(76)(v) – director’s / their relatives shareholding in KG Fabriks Limited exceeds 2% of paid up capital

4. Monetary value :

Estimated aggregate contract value for the matters proposed in the Resolution will not exceed Rs. 70 Crores in any financial year as detailed below ;

Purchase of materials/capital goods	Rs.10 Crores	
Sale of materials/capital goods	<u>Rs.10 Crores</u>	Rs.20 Crores
Availing/rendering of services like cotton/fibre into yarn, yarn into fabric, processing of yarn and other services		Rs.50 Crores

		Rs.70 Crores

5. Nature, material terms and particulars of arrangement:

- i) Conversion of cotton / fibre into yarn, yarn into fabrics, processing of yarn covered under Section 188(1)(d) & purchase/sale of cotton/fibre, waste, yarn and sale of capital goods covered under Section 188(1)(a) of Companies Act, 2013 .
- ii) The Conversion charges are being arrived based on Cost Plus method
- iii) Purchase/Sale of Cotton/Fibre, waste, yarn and capital goods at market prices.

Period of contract : 3 years from 26.09.2018. By passing of this resolution the existing agreement terminates on 25.09.2018.

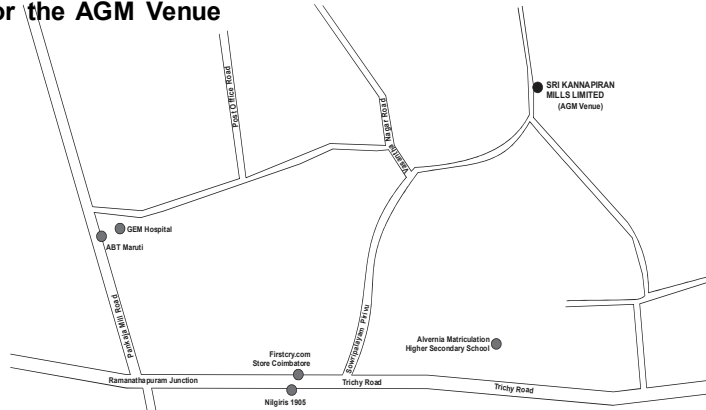
The memorandum of terms and conditions of the transactions to be entered into with KG Fabriks Limited is available for inspection on all working days at the registered Office of the company except on Saturday and Sunday.

None of the other directors or their relatives are in any way concerned or interested in the resolution.

Coimbatore
21.08.2018

By order of the Board
KG BAALAKRISHNAN
Chairman
DIN : 00002174

Route Map for the AGM Venue





SRI KANNAPIRAN MILLS LIMITED

ATTENDANCE SLIP

CIN : U17111TZ1946PLC000188

Registered Office: Sowripalayam, Coimbatore 641 028

Phone 0422 - 2351111 :: Fax 0422 - 2351110

Email: csd@kannapiran.co.in Website : www.kannapiran.co.in

PLEASE COMPLETE THIS ATTENDANCE SLIP AND HAND IT OVER AT THE ENTRANCE OF THE HALL. ONLY MEMBERS OR THEIR PROXIES ARE ENTITLED TO BE PRESENT AT THE MEETING.

Name of the attending Members : Folio No. :

No. of Shares held :

I hereby record my presence at the 72nd ANNUAL GENERAL MEETING of the Company on 27th September, 2018.

Name of Proxy in Block Letters

Signature of the Shareholder/Proxy*

**Strike out whichever is not applicable*

Please see address slip for details of Folio No. & No. of Shares

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SRI KANNAPIRAN MILLS LIMITED

PROXY FORM

CIN : U17111TZ1946PLC000188

Registered Office: Sowripalayam, Coimbatore 641 028

Phone 0422 - 2351111 :: Fax 0422 - 2351110

Email: csd@kannapiran.co.in Website : www.kannapiran.co.in

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

Name of the Member(s) :

Registered Address :

E-mail ID :

Folio No. :

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

(1) Name Address

E-mail Id Signatureor failing him/her

(2) Name Address

E-mail Id Signatureor failing him/her

(3) Name Address

E-mail Id Signatureor failing him/her

as my/our proxy to attend and vote (on a poll) for me/us and on my/our behalf at the 72nd Annual General Meeting of the Company, to be held on Thursday, the 27th day of September, 2018 at 10.00 a.m. at Sri Kannapiran Mills Premises, Sowripalayam, Coimbatore - 641 028 and at any adjournment thereof in respect of such resolutions as are indicated overleaf:

Note:

This form of proxy in order to be effective should be duly completed and deposited at the Registered Office of the Company, not less than 48 hours before the commencement of the Meeting.

Item No.	Description	Type of Resolution	I / We assent to the	I / We dissent to the
			For	Against
1.	Consider and adopt audited Financial Statements, Reports of the Board of Directors and Auditors	Ordinary		
2.	Appointment of Dr G Bakthavathsalam who retires by rotation, as a Director	Ordinary		
3.	Appointment of Mr B Srihari who retires by rotation, as a Director	Ordinary		
4.	Reappointment of Dr G Bakthavathsalam, as a Managing Director	Special		
5.	Reappointment of Mr B Sriramulu, as a Managing Director	Ordinary		
6.	Reappointment of Mr B Srihari, as a Managing Director	Ordinary		
7.	Reappointment of Mr K N V Ramani, as an Independent Director	Special		
8.	Reappointment of Mr V Arunachalam, as an Independent Director	Special		
9.	Ratification of Remuneration to Cost Auditor	Ordinary		
10.	Related Party transactions under Section 188 with K G Denim Limited	Ordinary		
11.	Related Party transactions under Section 188 with KG Fabriks Limited	Ordinary		

Signed this.....day of.....2018

Member's FolioSignature of Shareholder(s).....

Affix
Revenue
Stamp

Notes:

1. This form of proxy in order to be effective should be duly completed and deposited at the Registered Office of the Company, not less than 48 hours before the commencement of the Meeting.
- **2. This is only optional. Please put a ✓ the appropriate column against the resolutions indicated in the Box. If you leave the 'For' or 'Against' column blank against any or all the resolutions, your Proxy will be entitled to vote in the manner as he/she thinks appropriate.

BOOK - POST

To

If undelivered please return to :

SRI KANNAPIRAN MILLS LIMITED

Post Bag No. 1

Sowripalayam

COIMBATORE - 641 028