

10<sup>th</sup> September, 2018

<b>BSE Limited</b> Phiroze Jeejeebhoy Towers, Dalal Street, Fort, Mumbai 400 001 <b>Scrip Code: 532782</b>	<b>National Stock Exchange of India Ltd.</b> Exchange Plaza, 5th Floor, Plot No.C/1, G-Block, Bandra-Kurla Complex, Bandra(E), Mumbai 400 051 <b>Scrip Code : SUTLEJTEX</b>
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Dear Sirs / Madam,

**Sub:- Annual Report for the financial year 2017-18**

Pursuant to Regulation 34 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed herewith Annual Report for the financial year 2017-18. The 13<sup>th</sup> Annual General Meeting was held on Friday, 31<sup>st</sup> August, 2018 at 03.00 p.m. at Pachpahar Road, Bhawanimandi - 326502 (Rajasthan).

The Annual Report for the financial year 2017-18 is also uploaded on the website of the Company ([www.sutlejtextiles.com](http://www.sutlejtextiles.com)).

This is for the information of the exchange and members.

Thanking You

Yours Faithfully

**For Sutlej Textiles and Industries Limited**



Manoj Contractor

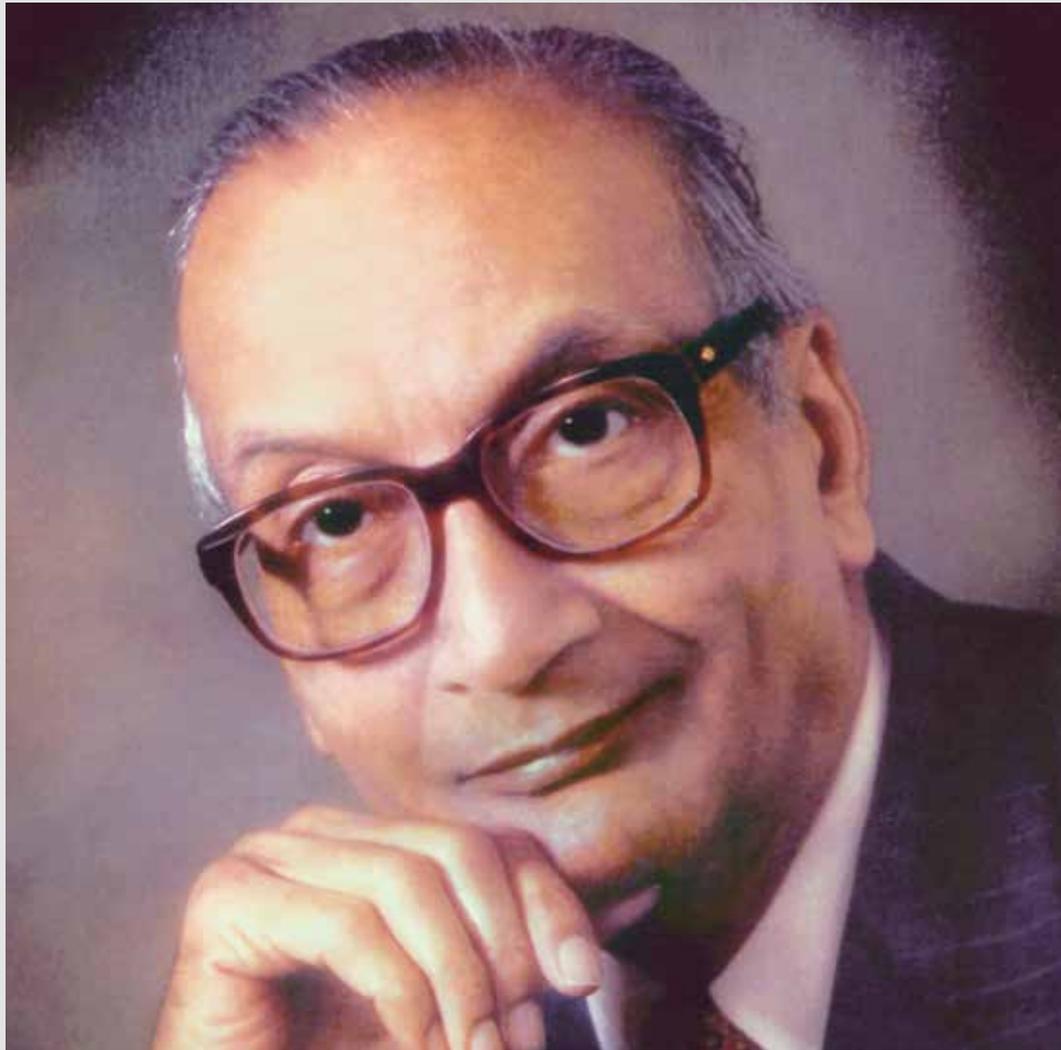
Company Secretary & Compliance Officer





# OPTIMISM

Sutlej Textiles and Industries Limited  
Annual Report 2017-18



**Dr. Krishna Kumar Birla**

**T**he late Dr. Krishna Kumar Birla was son of the legendary Indian industrialist Shri Ghanshyam Das Birla. He was born on 12th October, 1918 at Pilani in Rajasthan and over time established himself as a captain of Indian industry. He founded one of India's well-known business conglomerates and was a man of many facets - patriot, industrialist and philanthropist.

Over the decades, he grew his business conglomerate - sugar, fertilizers, media, textiles, shipping, engineering, financial services, furniture, information technology, plantations and infrastructure - into a respectable player across different sectors. A few of the companies that Dr. Birla promoted comprised Chambal Fertilisers and Chemicals Limited, CFCL Technologies Limited, Indo Maroc Phosphore SA, Texmaco Limited, Zuari Industries

Limited, HT Media Limited, Paradeep Phosphates Limited and Sutlej Textiles & Industries Limited.

As an industry statesman, Dr. Birla headed several prominent national institutions like Federation of Indian Chambers of Commerce and Industry (FICCI), the Indian Sugar Mills Association (ISMA) and the International Chambers of Commerce (ICC).

Dr. Birla was more than an industrialist; he was a statesman-visionary who developed modern and scientific institutions in India. His philanthropic engagement included Birla Institute of Technology and Science, International Centre for Excellence, K. K. Birla Foundation and K. K. Birla Academy of Scientific, Historical and Cultural Research.

Dr. Birla was a Member of Parliament for three terms (aggregate 18 years) from 1984 till 2002 and served on several committees of Parliament. He was appointed twice - 1980 and 2004 - as member of the National Integration Council chaired by the Prime Minister, which also comprised state Chief Ministers as members. In recognition of his contributions to the nation, India Post honoured him with a commemorative postage stamp.

Spiritual strength and moral values were part of Dr. Birla's personal ideology. Dr. Birla and his wife Smt. Manorama Devi constructed the magnificent Shri Radha-Krishna Temple in Kolkata.

Dr. Birla passed away on 30th August, 2008 leaving behind a rich legacy.

**On the occasion of his centenary, we re-dedicate ourselves to the ideals by which he lived.**

## Forward-looking statement

Statements in this report that describe the Company's objectives, projections, estimates, expectations or predictions of the future may be 'forward-looking statements' within the meaning of the applicable securities laws and regulations. The Company cautions that such statements involve risks and uncertainty and that actual results could differ materially from those expressed or implied. Important factors that could cause differences include raw materials' cost or availability, cyclical demand and pricing in the Company's principal markets, changes in government regulations, economic developments within the countries in which the Company conducts business, and other factors relating to the Company's operations, such as litigation, labour negotiations and fiscal regimes.

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Two words influenced  
our responsiveness in  
the face of a challenging  
textile sector scenario  
in 2017-18.

# Can do.

# 8 things we wish to tell you about our company

## We possess a rich pedigree

Sutlej Textiles and Industries Ltd. (STIL) is one of the flagship company of a multi-business conglomerate promoted by the late Dr. K.K. Birla. The Company comprises some of the most experienced professionals, having carved out a respect for niche yarns, service, value-addition and exports.

## We are one of the largest of our kind in India

Sutlej is one of India's largest integrated textile manufacturing company with a presence across the value chain – from yarn to home textiles. The Company manufactures synthetic, natural and blended yarns, all types of spun yarns and home textile furnishings; the Company also processes fabrics. The Company is one of the largest manufacturers of spun-dyed yarn and value-added mélange yarn in India.

## We provide the customer with a one-stop solution

The Company's production comprises dyed synthetic and blended yarns, cotton mélange as well as cotton blended mélange and dyed yarns, yarn from speciality fibres (modal, tencel, bamboo, coolmax, fancy yarns like siro spun, siro compact, lycra twisted, core spun, double core yarn, etc.), in single ply, double ply and multifold. The result a one-stop solution for all spun dyed yarns from natural or manmade fibres across any blend / shade (count range 8s- 50s).



## Our manufacturing capacities

### Bhawanimandi, Rajasthan

- 35,280 spindles (cotton mélange)
- 91,584 spindles (man-made fibre)

### We have invested in some of the most modern manufacturing facilities

The Company's units are located in Rajasthan, Jammu & Kashmir, Himachal Pradesh and Gujarat. The Company's total spinning capacity was 418,680 spindles at the close of 2017-18. Nearly 32 per cent of the spindleage and 67 per cent of the fabric weaving machines were commissioned in the last decade, assuring high technological relevance.

### We deliver first-rate product quality

Our quality conforms with IS/ISO-9001:2008 norms. We have been bestowed the respected 'Usterised' license by Uster Technologies, Switzerland. We were conferred OCS-IN (Organic Content Standard), GOTS-IN (Global Organic Textiles Standard) and Oeko-Tex Standard 100 certifications.

### We acquired a business-complementing US unit

The Company acquired American Silk Mills (ASM) in 2017-18 to strengthen its home textiles presence in US. ASM was founded in 1896 (foothills of the Pocono mountains of Pennsylvania, USA) and is among the oldest and most established American textile brands, respected for designing, weaving and distributing innovative curtain and upholstery. The Company has demonstrated a longstanding focus on the residential, contract, transportation and specialty markets. Its products comprise innovative indoor/outdoor performance fabrics, fine jacquard textiles, multiple grades and styles of velvets, highest quality silks and Sensuede (eco-friendly synthetic suede). It offers a strategic fit around original designs based on American sensibilities, customer understanding and unique product portfolio. It is known for the manufactures of upscale fabrics in the Italian tradition of silk production.

### We work with marquee global brands

• Marks and Spencer • JC Penney • Siyaram's • Donear • Lenzing Modal • Lycra • Sears • Aditya Birla Grasim • Pantaloons • CoolMax • Arrow • Page Industries • Arvind • Raymond

#### Daheli, Gujarat

- 9.6 million metres per annum (126 looms, Dobby 42 single width, state-of-the-art Jacquard)

#### Kathua, J&K

- 110,928 spindles (cotton mélange)
- 97,512 spindles (man-made fibre)

#### Baddi, HP

- 13,418 spindles (PC mélange)
- 69,958 spindles (man-made fibre)

# Sutlej Textiles and Industries Limited.

Capable. Profitable.  
Sustainable.

Engaged in the manufacture  
of specialised yarns and  
home textiles.

Reinforced its respect in  
a challenging sectoral  
slowdown in 2017-18.

Through capacity  
enhancement, cost  
reduction, niche  
positioning, robust product  
pipeline and enduring  
customer relationships.



**Vision**

We have set our sights on emerging as a front-runner in the realm of global textiles by providing end-to-end solutions – from yarns to home textiles. We aim to create maximum value for our customers so as to emerge as their partners-of-choice.

**Mission**

We believe in challenging our limits and overcoming them. We also believe that as time changes, one must evolve one's thinking.

At a time of sectoral slowdown it would be usual to freeze investments.

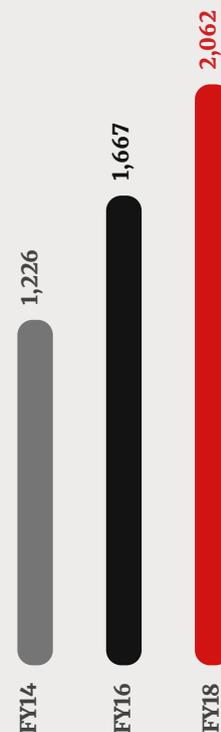
At Sutlej, we are doing what we have always done – invest selectively during downturns.

We commissioned a spindle capacity expansion in FY18.

We invested in technology up-gradation and debottlenecking to enhance efficiency and plant utilization.

We announced the intention to commission a recycled PSF plant in 2019–20.

Investments in gross block (₹ cr)



Investments increased  
68% from FY14 to FY18



## Sutlej Textiles. At a glance...

### Our capacities (Standalone)

**418,680**

Total capacity; spindles

**9.6** million metres

Total capacity home textiles

### Our results (Standalone)

**2,488** (₹ Crore)

Total revenue

**281** (₹ Crore)

EBIDTA

### Our foresight

**1,745** (₹ crore)

Cumulative investment in gross block (FY2005-18)

**263,224**

Spindle addition (FY2005-18)

### Our Balance Sheet strength

**5.79%**

Average cost of borrowings, FY18

**12.48%**

Return on equity FY18

**1.15**

Gearing,  
31 March 2018

**890** ₹ cr

Reserve and surplus,  
31 March 2018



## Growth in numbers (Standalone)

### Revenue growth

# 8.88%

₹2,488 crore in  
2017-18

₹2,285 crore in  
2016-17

### Debt-equity ratio strengthening

# 0.12

1.15:1 in  
2017-18

1.27:1 in  
2016-17



## Our key numbers (Standalone)

### Net profit

# 113

(₹ crore)

₹158 crore in 2016-17

### EPS 2017-18

# 6.91

(₹)

₹9.64 in 2016-17

### ROCE 2017-18

# 16.51%

17.23% in 2016-17

# 16.51%

ROCE,  
2017-18

# 5.46

(x)

Interest cover,  
2017-18

The result of this contrarian Sutlej spirit is that the Company expects to protect its competitiveness, respect and liquidity in a challenging sectoral slowdown

## THE SPIRIT OF SUTLEJ

When they indicated that the largest would survive in a volume-led business...

*We focused on becoming the best instead.*

When they felt that manufacturing commodity yarns would be safest ...

*We selected to go niche instead.*

When they advised textile players to wait for the storm to blow over...

*We strengthened our business in a proactive way.*

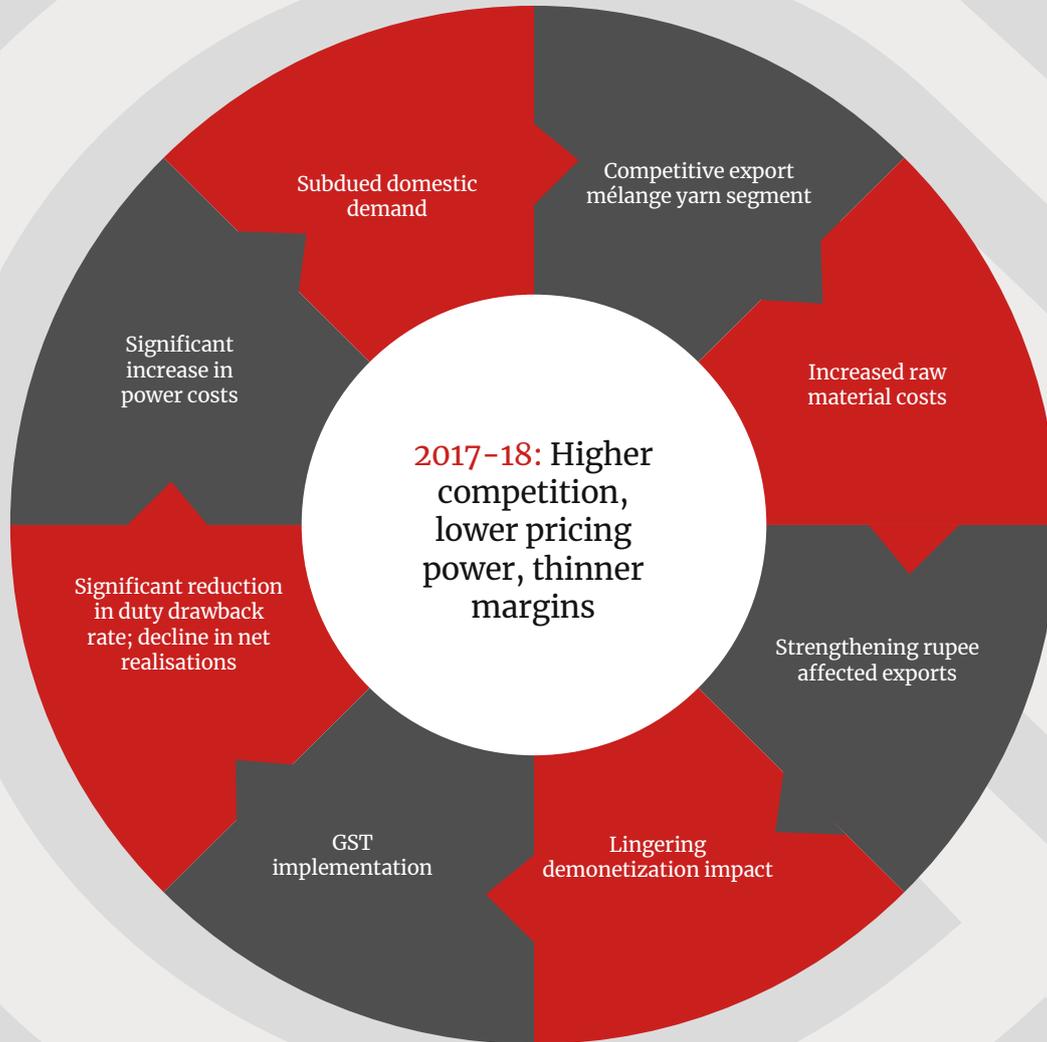
When they advised industry  
players to freeze capex...  
*We made business-strengthening  
investments.*

When they said look within and  
consolidate...  
*We looked outward and acquired.*

When they advised that yarn  
companies should remain yarn  
companies...  
*We extended to the manufacture  
of home textiles.*

When everybody hints at  
caution in a slowdown...  
*What we hear is 'opportunity'.*

## Sutlej encountered challenging market conditions



## This is the result of our responsiveness

### We increased revenues (₹ cr)



**Revenues increased 29.36% in FY18 as compared to FY14**

### Average yarn realisation (₹ per kg)



**Average yarn realization (₹/kg) decreased 2% in FY18 as compared to FY14** (Fall in rate, as earlier excise duty on raw materials was embedded in sales rate whereas sales are now exclusive of GST)

## Sutlej responded with agile corporate responsiveness



### We enhanced meter sales (home textiles) (₹ lacs)



Meter sales increased 201% in FY18 as compared to FY14

### We increased exports (₹ cr)



Average Exports increased 51.82% in FY18 as compared to FY14

## Executive Chairman's statement



## Overview

I am pleased to present the performance of Sutlej Textiles and Industries Limited for the Financial Year 2017-18. Although textiles is a cyclical business, the challenges were further compounded due to structural interventions in the economy.

Despite these challenges, I am pleased that Sutlej has been able to respond strongly. The Company reported a top line growth of 9.85% while margins were under pressure. I am confident that Sutlej's response to this downtrend will translate into enhanced revenues, margins and surpluses across the foreseeable future.

## The Indian economy

India is the world's seventh-largest economy, sitting between France and Italy and amongst the fastest growing large economies. After registering a GDP growth of more than 7% for the third successive year in 2016-17, the Indian economy headed for slower growth (6.7%) in 2017-18, which was still the second-highest GDP growth rate among major emerging market economies.

The year under review was important from a reforms perspective. The Central Government announced a sizable capital infusion into public sector banks. The Indian Government announced a Rs. 6.9 lac crore investment outlay to construct 83,677 kilometres of road network over five years. The impact of reforms related to business ease resulted in India being ranked 100<sup>th</sup> in the World Bank's Ease of Doing Business 2017 report, an improvement of 30 places.

However, the principal highlight of the Indian economy was the

introduction of the Goods & Services Tax. This landmark reform sought to create a unified market, widen the tax net, provide the formal sector a level playing field and accelerate goods movement pan-India through simplified regulation. Going ahead, it is believed that this formalisation signal could enhance business scale and ease, strengthening the country's competitiveness.

Even as the introduction of GST represents a new way of conducting business in India, its introduction was impacted by short-term adjustment aberrations. Demand growth was interrupted across sectors, affecting stocking and offtake. However, once the adjustment process is complete, GST is expected to result in a new way of doing business in India.

Concurrently, the Indian economy was marked by the emergence of cutting-edge manufacturing technologies, the growing role of online markets, increased role of artificial intelligence, growing role of social media as an opinion-influencer and rapidly growing middle-income aspirations. In this dynamic environment, there was a premium on the need to innovate products, processes and services. There was a growing need for companies to improve the product delivery experience, introduce products that offered a superior value-for-money proposition and shrink the time to reach customers across geographies.

## Global economic overview

The modest improvement in global activity that commenced in 2016 strengthened in the first half of 2017. Real global GDP growth improved 70 bps - from 3.1% in 2016 to 3.8% in 2017. The US, the

world's largest economy, entered its ninth straight year of growth in 2017 (2.3% compared to 1.6% in 2016). In 2017, the Eurozone grew at an estimated 2.5%, the fastest since 2007. China's growth of an estimated 6.8% was higher than its 26-year low of 6.7% in 2016. Some large emerging market economies like Argentina, Brazil and Russia exited recessions. Emerging Asia delivered strong growth in the face of growing protectionism concerns. The Gulf countries were affected by relatively weak oil prices (~60% since 2013), which resulted in macroeconomic instability. Growth in emerging market and developing economies accelerated to 4.3% in 2017. Oil prices averaged \$53 per barrel in 2017, up by 24% compared to 2016. (Source: IMF, World Bank, MOMR)

## Sutlej's challenges and spirited response

During the year under review, your Company reported a higher turnover but lower profits due to various sectorial challenges. The Company was affected by demand slowdown, decline in realisations and increased costs. Besides, there was a growing need to stabilize plant operations (RTM and DGHT) of expanded capacities during the first year of commissioning. The Company suffered an increase in costs due to enhancement of tariffs by the state discom in Rajasthan. An increase in cross subsidy surcharge made the cost of open access of power prohibitive.

Despite declining margins, the Company continued to reinvest in its core business with the objective to be among the first off the blocks when the consumer sentiment revives and the textiles sector starts performing better.

Your Company is attractively positioned to outperform the sectoral growth average. It comprises a basket of 300+ active products (nascent and mature), enjoys a visible presence in diverse downstream spaces (knitting, weaving, home applications, industrial and miscellaneous) across around 65 countries. Instead of deferring all business-building initiatives, Sutlej continued to introduce market value-added products as a buffer against declining margins. Even as competition turned price-based and dealers de-stocked their inventories, your Company reinforced its engagements with longstanding institutional clients, generating steady product offtake.

Your Company exerted stronger control over factors within. It focused on sweating assets with the objective to cover fixed costs more efficiently. It examined every cost incurred and practice undertaken. It continued to research yarn varieties that enhanced value. It continued to modernise facilities to enhance operating efficiencies, moderate costs and achieve qualitative consistency. I am confident that Sutlej is well-placed to capitalise on an impending sectoral rebound with a larger capacity, lower costs and wider product mix.

### Optimism

India is one of the most attractive textile markets with a growing preference for value-accretive fashionable products. India is a young market, its rural areas are relatively under-penetrated and there is a large national consumption headroom.

Your Company is India's largest spun-dyed yarn manufacturer

(including cotton, cotton blended dyed and mélange yarns). It (total spinning capacity 418,680 spindles) enjoys economies of scale. It produces niche yarns in a wide range of counts, blends and shades. Its value-added product mix (cotton and man-made fibres) can absorb cost increases through blend alterations. Its fibre-dyed products provide ready-to-use convenience for processors. Its discerning customers enjoy growing consumption appetites. Its cost leadership has translated into superior financials across market cycles. It enjoys a robust new products pipeline. It pursues a pre-sold manufacturing model that enhances revenue visibility. Its strong credit rating validates its robustness. Its capacity expansions were funded by a judicious mix of internal accruals and low-cost debt.

### Looking ahead

Your Company intends to implement its green polyester fibre project during the current financial year, expected to go on stream in 2019-20. This project, when implemented, will make it possible for the Company to generate a significant part of its PSF requirement from within, strengthening business integration.

Your Company's presence in the home textiles business in India and abroad will enable it to capitalise on the growing demand for quality contemporary fabric for curtain, upholstery and niche interior applications. This business will become a major focus area by virtue of robust domestic demand and the national home furnishing market which is expected to grow at a CAGR of over 8% across the

next few years, catalysed by growth in its residential and commercial real estate segments, growing traction for custom-designed furniture and increasing adoption of eco-friendly products.

It is expected that the ongoing slowdown will restrict the entry of new players and defer brownfield capacity expansions. When the country's pent-up textiles demand revives, the carry-over inventories would disappear, strengthening realisations of yarns and home textiles, benefiting competitive players like Sutlej. I am cautious in my optimism related to the sectoral rebound and the Company's performance in 2018-19 but foresee attractive prospects across the medium-term.

I would like to end by expressing my heartfelt thanks to all our stakeholders for their continued support.

C. S. Nopany  
Executive Chairman

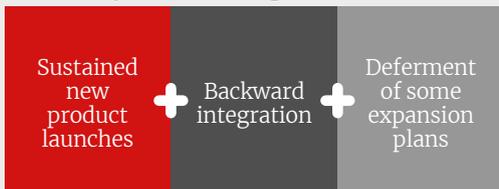


# HOW SUTLEJ IS COUNTERING THE INDUSTRY SLOWDOWN

## Challenging sectoral slowdown



## The Sutlej counter-response



## Long-term Sutlej strengths



## Conscious business de-risking



## Superior sectoral competitiveness



How we strengthened our yarn business

Stronger logistics in reaching products to customers

Enhanced value-addition

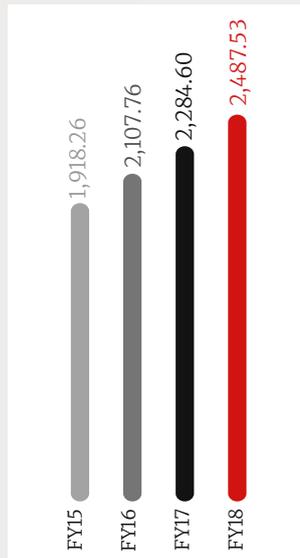
Wider global footprint

Increased new product throughput

Increased exports

# How Sutlej has grown across the years

## Higher revenues (₹ cr)



### Revenues (₹ cr)

#### Definition

Sales growth without deducting excise duties.

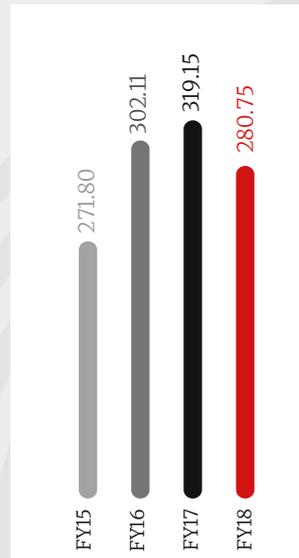
#### Why we measure

This measure reflects the result of our ability to understand market trends and service customers with corresponding products, superior technologies and competent supply chain management.

#### Performance

Our aggregate sales increased 8.88 per cent to ₹2,487.53 cr in FY 18, which compared favourably with the growth of the sector.

## EBIDTA (₹ cr)



### EBIDTA (₹ cr)

#### Definition

Earning before the deduction of fixed expenses (interest, depreciation, extraordinary items and tax).

#### Why we measure

It is an index that showcases the Company's ability to optimize business operating costs despite inflationary pressures, which can be easily compared with the retrospective average and sectoral peers.

#### Performance

The Company reported EBIDTA of ₹280.75 cr in FY18.

## Net profit (₹ cr)



### Net Profit (₹ cr)

#### Definition

Profit earned during the year after deducting all expenses and provisions.

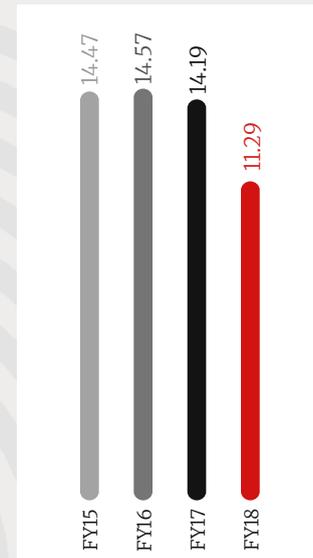
#### Why we measure

It highlights the strength in the business model in generating value for its shareholders.

#### Performance

The Company reported a net profit of ₹113.13 crore in FY18.

## EBIDTA margin (%)



### EBIDTA margin (%)

#### Definition

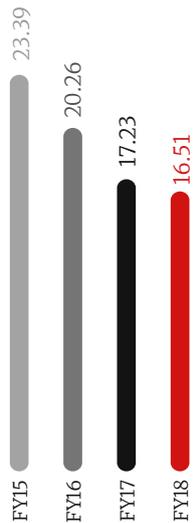
EBIDTA margin is a profitability ratio used to measure a company's pricing strategy and operating efficiency. Higher the operating margin, better for the Company.

#### Why we measure

The EBIDTA margin gives an idea of how much a company earns (before accounting for interest and taxes) on each rupee of sales.

#### Performance

The Company reported an EBIDTA margin of 11.29% in FY 18.

**ROCE**  
(%)**ROCE (%)****Definition**

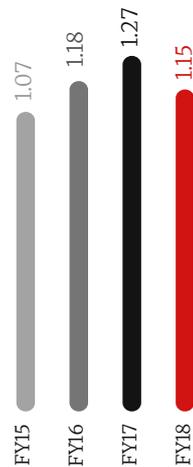
It is a financial ratio that measures a company's profitability and the efficiency with which its capital is employed in the business.

**Why we measure**

ROCE is a useful metric for comparing profitability across companies based on the amount of capital they use - especially in capital-intensive sectors.

**Performance**

The Company reported a ROCE of 16.51% in FY 18.

**Gearing**  
(Ratio)**Debt-equity ratio (x)****Definition**

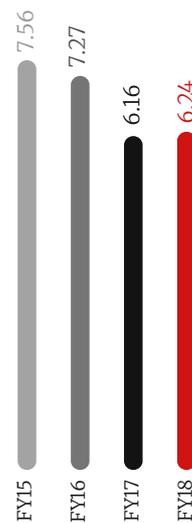
This is derived through the ratio of debt to net worth (less revaluation reserves).

**Why we measure**

This is one of the defining measures of a company's financial health, indicating the ability of the Company to remunerate shareholders over debt providers (the lower the gearing the better). In turn, it indicates the ability of the Company to sustain growth in profits, margins and shareholder value.

**Performance**

The Company's gearing moderated from 1.27 in FY17 to 1.15 in FY18. We recommend that this ratio be read in conjunction with net debt/operating profit (declining, indicating a growing ability to service debt).

**Debt cost**  
(%)**Average debt cost**  
(%)**Definition**

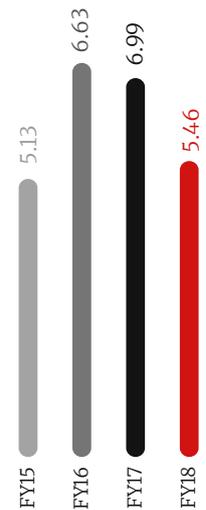
This is derived through the calculation of the average cost of the consolidated debt on the Company's books.

**Why we measure**

This indicates our ability in convincing bankers and other debt providers of the robustness of our business model, translating into a progressively lower debt cost (potentially leading to higher margins).

**Performance**

The Company's debt cost has progressively declined from a peak 7.56 per cent in FY15 to 6.24 per cent in FY18. We recommend that this ratio be read in conjunction with our rising interest cover (rising, indicating higher liquidity).

**Interest cover**  
x**Interest cover (x)****Definition**

This is derived through the division of EBITDA by interest outflow.

**Why we measure**

Interest cover indicates the Company's comfort in servicing interest.

**Performance**

The Company reported an interest cover of 5.46 in FY18.

# How we are countering the slowdown

At Sutlej, we perceive the slowdown as an opportunity.

An opportunity to sustain what we have always done – invest in the business, deepen our competence, widen market leadership and reinforce business sustainability.



## The acquisition of American Silk Mills

There was a growing need to build a deep US market insight

The Company could have developed an India team to drive the effort

The Company acquired experience-rich American Silk Mills – instead

The acquisition will deepen US market intelligence and market share

The acquisition will enable both companies to sell each other's products

## The discipline of reinvestment

The Company invested ₹ 1,150 cr in the 5 years ending FY18

Investments: acquisition, integration, modernisation and debottlenecking

The result has been a lower break-even point

This competitiveness has enhanced viability across market cycles

42% of retained cash profits reinvested – a virtuous cycle

## Serving customers with speed

Customers need quicker deliveries

Sutlej works with the best logistic partners – in India and abroad

The Company commissioned warehouses near consumption markets

These warehouses provide material with quick turnaround times

This ability has strengthened the customer's recall as a responsive player

Addressing a  
wider footprint

A number of years ago, the Company was present in select countries

When these economies slowed, the Company's offtake was affected

The Company sought to derisk with a wider global footprint

New geographies were selected on the basis of growing aspirations

The Company has de-risked through a presence in ~60 countries

Accelerated  
product launch

The global sectoral challenge lies in the speed of preference change

As the world gets younger, designs and styles change with faster speed

The Company responded by strengthening its research pipeline

The Company introduced new products with greater speed

These new products have accounted for a growing share of the Company's revenues

Effective cost  
management

The Company believes that cost management drives competitiveness

The Company invested in technology, scale and integration

The Company emphasised a relatively austere overheads structure

The Company strengthened trade terms to reduce debt size and cost

Result: competitive specialised yarn manufacture across market cycles

Integrating  
the business  
forwards,  
backwards and  
upwards

The Company recognised that integration would enhance competitiveness

The Company integrated forwards from yarn to home furnishings

The Company integrated backwards into solar energy generation

The Company manufactured value-added speciality yarns

The company widened margins, strengthening its business model

Culture of  
continuous  
modernisation

Textile technologies have evolved with speed over the last couple of decades

The Company invested in cutting-edge technologies

The Company made periodic investments in asset modernisation

The aggregate impact: equipment uptime and efficiency improved

A high 32% of the Company's spinning machines are less than 10 years old

Relatively low  
cost borrowing

The most competitive companies carry low or no debt

The Company increased debt by 69% to ₹606 cr in 2017-18 across 5 years due to regular expansion

The Company moderated debt cost from 6.77% to 6.24% during the period

The Company extended debt repayment tenure to 4 years, enhancing stability

The Company reported an attractive interest cover of 5.46 in 2017-18

# Our business model: Long-term clarity and consistency

**At Sutlej, we have demonstrated that sustainable success is derived in a dynamic sector from the ability to stay one step ahead**

## How we do business

At Sutlej, we have continuously reviewed, adapted and reinforced our business model. This proactive responsiveness in a dynamic environment has translated into profitable growth across market cycles.

### The context of our sector



#### Income growth

India is one of the most exciting consumer-driven countries today. The country has grown its GDP 6-7 per cent, making it one of the fastest growing major economies; besides, per capita incomes have risen from ₹103,870 in 2016-17 to an estimated ₹112,835 in 2017-18. A growth in incomes and aspirations drives the Indian consumption-driven success story.



#### Evolving needs

The textile sector is not only large; it is ever-evolving as well. The result is that what was fancied by customers a couple of years ago may be completely out of favour today; as design lifestyles have shrunk, there has been a greater premium on the need of manufacturers to produce research-driven new designs.



#### Technology

The textile sector has invested extensively in cutting-edge technologies, incentivised by the government. The result is that products have not only become more sophisticated and enduring but process have also become more efficient (helping lower conversion costs).



#### Wider wardrobes

The concept of living with a handful of clothes is over. Modern wardrobes are large and widening, addressing diverse applications and situations. The result is that a number of products (yarns and fabric) have been customised around specific applications.



#### Preference for value-addition

There is a movement away from buying the lowest cost product towards value-addition, which is the result of the industry being able to deliver a superior price-value proposition.



#### Formalisation

The single biggest development in the last few years has been the formalisation of the Indian textile sector following the introduction of GST. The cost differential that the informal sector enjoyed (by being outside the tax bracket) has declined to the point where the formal sector has become more competitive.

From select countries to around 60 countries today

From stock-to-sell to sell-to-stock approach

From large debt to comfortable gearing

From standalone yarn focus to fabric manufacture

From commodity manufacture to presence in niche spaces

## The passion we bring to our business



**Focus:** Create markets through new product differentiation.



**Constructive dissatisfaction:** Need to make the good better.



**Pioneering:** Desire to be the first in the market place with new yarn products.



**Excellence:** A culture of excellence in everything we do (manufacturing, marketing, research and finance).



**Trade terms:** We pre-sell and then manufacture.



**Niche:** Focus on the manufacture of a large number of products manufactured in small volumes.



**Competition:** Compete on quality, consistency and innovation, not price.



**Relationships:** Focus on emerging as an extension of the customer's personality.



**Competitive:** A conviction that the most competitive company endures.



**Futuristic:** Work in 2018, plan for 2022.

## Our tangible foundation



**Products:** Sutlej manufactured yarn and home textiles, both capitalising on a growing sense of personal and home pride. The Company manufactures niche yarns (cotton blended dyed and cotton mélange) and upholstery / curtains, among the fastest growing segments. All yarn investments following 2004 have been in specialized yarn machines.



**Product mix:** Sutlej invested additionally in mélange capacity, enhancing value-addition. Mélange capacity is expected to increase from about 28% of overall capacity to 38% across the foreseeable future.



**Locations:** The Company's manufacturing facilities are located in 4 locations – Bhawanimandi (Rajasthan), Kathua (Jammu & Kashmir), Baddi (Himachal Pradesh) and Daheli (Gujarat). These locations are proximate to raw material delivery centres on the one hand and access to abundant labour on the other.



**Plants:** We invested in right-sized plants that generated scale economies, technologies, high utilization and optimal returns. The result is that our manufacturing facilities are among the most productive in India. Nearly 38 per cent of our spindleage addresses value-added yarns.



**Footprint:** Even as the Company's manufacturing facilities are located in North India, its sales footprint extends across India and the world (around 60 countries). Exports contributed 30% to the Company's yarn revenues in 2017-18. The extensive footprint helps absorb slowdowns in select geographies without affecting viability.



**Technologies:** Sutlej embraced cutting-edge technologies to enhance product sophistication on the one hand and moderate operating costs on the other. Nearly 32 per cent of the Company's spindles are less than a decade old. Result: the Company is among the most competitive speciality and fancy yarn manufacturers in India.



**Range:** Sutlej progressively increased its product portfolio, presenting customers with a wide choice (estimated 300+ products as on 31 March 2018). Result: is that over the years the Company has emerged as a single-stop solutions provider.



**Discipline:** Our core business (cotton blended dyed and mélange yarns) is spread across SBUs, making the business scalable and competitive; the Home Textiles business is managed on similar lines.

## Our intangible foundation



**Governance:** At Sutlej, we believe that committed governance represents the foundation of organisational credibility. The Company comprises Directors with proven standing; it broad-based the Board with adequate independent Directors supported by focused committees across specific functions.



**Brand:** Sutlej's business is brand-driven. Over the decades, the Company's brand generates distinctive recalls: pioneering (new product introduction), quality (high performance on customer machines), dependable (client welfare) and accessible (grievance redressal).



**Knowledge:** Sutlej's competitiveness is derived from the knowledge of its people – 15,000 employees – comprising products, customers, fibres and geographies as well as the knowledge of associates (consultants).



**Relationships:** Sutlej's business is relationship-driven, marked by familiarity with customers and vendors. Sutlej enjoys a people retention of 75 per cent, higher than the sectoral average. Nearly 33 per cent of the Company's employees were with the Company for more than five years as on 31 March 2018. The Company's average employee age of 34 indicated high enthusiasm.

## Enhancing value for stakeholders



### Shareholders

- Progressive dividend policy
- Attractive market capitalization growth
- Focus on free cash generation
- Profitable growth



### People

- Employee and vendor engagement
- Promote personal and professional development
- Fair and equitable wages / contracts



### Customers

- Enhancing customer competitiveness
- Quality products
- Collaborative product development



### Communities

- Environmentally safe operations
- Responsible and ethical conduct
- Corporate social responsibility



### Society

- Contribution to exchequer
- Driving employment
- Skilling people



### Environment

- Environmentally responsible and compliant operations
- Proactive investment in renewable energy and recycled raw material
- Moderated carbon footprint

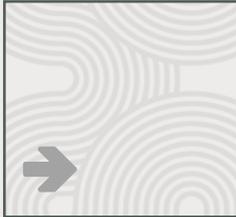
**2.2 MW rooftop solar power project, a step towards clean energy at Bhawanimandi**



# At Sutlej, we have enhanced eco-system value through various initiatives

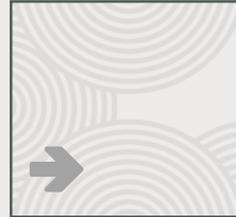
23

Proportion of spindles producing cotton melange and cotton-blended yarn (%) in 2011-12



35

Proportion of spindles producing cotton melange and cotton-blended yarn (%) in 2014-15



38

Proportion of spindles producing cotton melange and cotton-blended yarn (%) in 2017-18

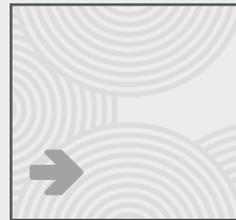
193

Yarn sales realisation (₹/kilogram) in 2011-12



218

Yarn sales realisation (₹/kilogram) in 2014-15



217

Yarn sales realisation (₹/kilogram) in 2017-18

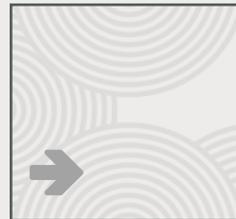
56

countries, global footprint in 2011-12



62

countries, global footprint in 2014-15

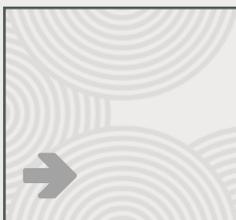


62

countries, global footprint in 2017-18

2.58

Debt-equity ratio, 2011-12



1.07

Debt-equity ratio, 2014-15

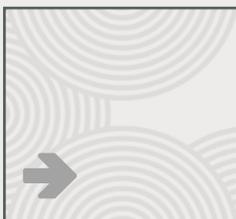


1.15

Debt-equity ratio, 2017-18

8.18

Average borrowing cost, 2011-12 (%)



7.93

Average borrowing cost, 2014-15 (%)

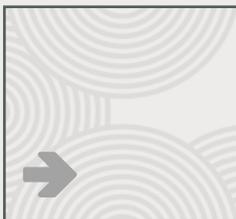


5.79

Average borrowing cost, 2017-18 (%)

2.56

Interest cover, 2011-12



5.13

Interest cover, 2014-15



5.46

Interest cover, 2017-18

**55**  
Term loan tenure  
(months), 2011-12



**41**  
Term loan tenure  
(months), 2014-15



**50**  
Term loan tenure  
(months), 2017-18

**0.46**  
Debt per rupee  
of revenue in ₹,  
2011-12



**0.31**  
Debt per rupee  
of revenue in ₹,  
2014-15



**0.43**  
Debt per rupee  
of revenue in ₹,  
2017-18

**BBB**  
by CARE  
Credit rating,  
2011-12

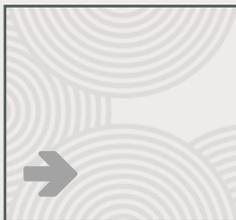


**A+**  
by CARE  
Credit rating,  
2014-15



**AA**  
by CARE  
Credit rating,  
2017-18

**253000**  
Total spindles,  
2011-12

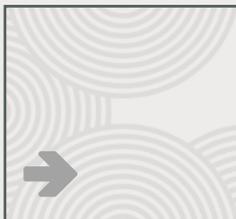


**293736**  
Total spindles,  
2014-15



**418680**  
Total spindles,  
2017-18

**2.5**  
Home textiles  
capacity,  
(mn metres),  
2011-12



**5.0**  
Home textiles  
capacity,  
(mn metres),  
2014-15



**9.6**  
Home textiles  
capacity,  
(mn metres),  
2017-18

**2.58**  
Asset turnover  
ratio, 2011-12



**2.73**  
Asset turnover  
ratio, 2014-15



**2.19**  
Asset turnover  
ratio, 2017-18

**40**  
Proportion of  
spindles less than  
five years old in  
2011-12



**24**  
Proportion of  
spindles less than  
five years old in  
2014-15



**39**  
Proportion of  
spindles less than  
five years old in  
2017-18

## Business segment#1

# Specialised yarns

## OUR BUSINESS MODEL

# 2,334

₹ crore  
Revenue in 2017-18  
against ₹2,141.19 crore in 2016-17

# 273

₹ crore  
EBIDTA in 2017-18  
against ₹302.4 crore in 2016-17

# 166

₹ crore  
Profit before tax in 2017-18  
against ₹185.28 crore in 2016-17

# 94.44%

Capacity utilisation in 2017-18 of the  
installed capacity of 418,680 spindles





Yarn segment 95%  
of the Company's  
revenues

One of the India's  
largest spun-dyed  
and cotton mélangé  
yarn manufacturer

418,680 spindles (as  
on 31 March 2018)

Marquee clients; B2B  
business model

Capacity  
utilization ~95%



The Company's value added cotton mélange yarn capacity is 38 per cent of its total spindles in 17-18 as compared to 26 per cent in 2013-14.

### Overview

Sutlej transformed its identity from a grey commodity yarn manufacturer into a specialised yarn (cotton blended yarn and melange yarn) 'supermarket' offering a range of natural and manmade yarns in blends (grey, dyed and mixture) and count ranges (8-50). The result is that the Company now possesses one of the largest portfolios of spun-dyed and mélange yarns in India.

The Company's value-added cotton mélange yarn capacity is 38 per cent of its total spindles in 2017-18 as compared to 26 per cent in 2013-14.

Sutlej is one of the largest producers and exporters of value-added cotton blended spun yarns in India. Over the years, the Company reinforced its position as a passionate developer of blends and shades, servicing the growing needs of customers who, in turn, address dynamic fashion realities.

Over the years, the Company widened its presence across the yarn value chain (cotton to polyester to viscose to acrylic to

modal to lycra to teflon to linen). The result is that the Company possesses the distinctive ability to manufacture multi-fiber (synthetic and natural) yarns across diverse applications (grey, dyed and mixed) and counts (8-50).

### Capacity

The Company manufactures specialised yarns in three units - Rajasthan Textile Mills in Bhawanimandi (Rajasthan), Chenab Textile Mills in Kathua (Jammu and Kashmir) and Birla Textile Mills in Baddi (Himachal Pradesh). These units possess assets, knowledge, experience, competence, supply chains and customers to grow the overall business.

The Company enhanced spindleage from 155,456 in 2005 to 418,680 in 2018; each plant possessed adequate capacity and economies to service growing customer needs. Nearly 32 per cent of the Company's spindleage were less than 10 years old as on 31 March 2018, indicating high capability and efficiency.

### Rajasthan Textile Mills

**Location:** Bhawanimandi (Rajasthan)

**Product:** Cotton yarns and man-made fibre yarns

**Capacity:** 35,280 spindles of cotton mélange; 91,584 spindles of man-made fibres

### Chenab Textile Mills

**Location:** Kathua (Jammu and Kashmir)

**Product:** Cotton mélange yarns and man-made fibre yarns

**Capacity:** 110,928 spindles of cotton mélange; 97,512 spindles of man-made fibres

### Birla Textile Mills

**Location:** Baddi (Himachal Pradesh)

**Product:** Cotton yarns and man-made fibres

**Capacity:** 13,418 spindles of PC mélange; 69,958 spindles of man-made fibres

## Portfolio

The Company manufactures a wide range of specialised yarns, emerging as a single-point solution for demanding customers. Over the years, the Company has emerged among select specialised manufacturers of specialty yarns (lycra, coolmax, modal and tencel yarns, among others) and the largest modal yarn manufacturer (licensed from Lenzing, Austria).

**Regular varieties:** ■ 100% polyester ■ 100% viscose ■ 100% acrylic ■ 100% modal and tencel ■ 100% cotton mélange and cone-dyed ■ Polyester/viscose ■ Polyester/cotton ■ Acrylic/cotton ■ Polyester/acrylic ■ Modal/cotton ■ Modal/polyester ■ Viscose/cotton ■ Bamboo/cotton

**Premium varieties:** ■ Micro-polyester (soft touch) ■ Micro-acrylic (for chenille) ■ Micro-modal (super-soft silky) ■ Hamel covered yarns (stretch) ■ Low piling yarns ■ Carpet backing and pile yarns ■ Ready-to-dye package yarns ■ Cationic dyeable yarns ■ Tencel ■ Soy milk fibre yarns ■ 100% bamboo

## Challenges

Over the years, the various challenges facing the textile sector have comprised the following: a rapid change in consumer preferences; a shift in desired garment utility from the functional to the fashionable; shorter tenures in yarn popularity; a gradual shift in yarn preference from the commodity to the fancy/specialised.

During the year under review, India's currency strengthened against the US dollar even as some competing Asian currencies

remained relatively weak, making the latter more competitive in terms of exports. Similarly, raw material costs in India increased when compared with the same Asian countries, affecting Indian competitiveness. Indian textile exporters were also handicapped by high logistics tenures, warranting a need to moderate delivery turnaround schedules.

## Counter-challenges

Over the years, the Company responded to longstanding sectoral challenges through the conscious evolution of its product mix: The Company graduated to products addressing lifestyle preferences, focusing on niche cotton blended dyed and cotton mélange yarns. The value-added yarn revenues increased from 24% of overall revenues in FY12 to 36% in FY18 on account of growing applications and acceptance, enhancing profitability. Besides, the Company substantially increased capacity of specialty Lycra twisted P/V yarn and strengthened development centres to produce new types of value-added yarns, fancy yarns, etc.

The Company evolved its business model from make-to-stock to make-to-order, moderating inventories. The Company responded with world-class service (quality, timely delivery, superior price-value, yarn mix, superior application on downstream machines), positioning it as a dependable partner.

The Company's manufacturing units were invested with cutting-edge technologies, professionals, certifications (IS/ISO 9001:2008) and quality-testing equipment

The Company evolved its business model from make-to-stock to make-to-order, moderating inventories.



(HVI spectrum, AFIS Pro UT- 5, Tensojet and Classimat, among others). The Company was provided permission to use the 'Usterised' trademark by Uster Technologies AG, Switzerland, a rare honour.

The Company addressed customers in around 60 countries (Australia, Argentina, Bangladesh, Bahrain, Belgium, Brazil, Canada, China, Chile, Cuba, Egypt, France, Germany, Hong Kong, Italy, Morocco, New Zealand, Peru, Poland, Portugal, Russia, Saudi Arabia, Sri Lanka, the Philippines, the United States of America, the United Arab Emirates, the United Kingdom, Turkey and Vietnam, among others), making it one of the largest Indian exporters of polyester-viscose blended yarn.

## Accolades

■ Gold Trophy by TEXPROCIL for highest export of cotton yarn (processed yarn) during the year 2016-17

■ Silver Trophy by SRTEPC for Second Best Performance in Spun Yarn during the year 2016-17



Even as the Company's numbers may appear disappointing, it actually performed better than the sectoral average

### Operational highlights, 2017-18

- Grew yarn production 8% - from 98.32 million kilograms in 2016-17 to 106.16 million kilograms.
- Enhanced domestic volumes 1.04% from 69.70 million kilograms to 70.42 million kilograms.
- Commissioned 2,064 spindles manufacturing synthetic yarns during the course of the year.
- Average yarn realizations stood at ₹217 per kg as against ₹215 per kg (previous year).
- Strengthened the export portfolio with a growing emphasis on value-added yarns.
- Strengthened yarn exports 27% (by value) through value-added focus; yarn exports stood at 36 million kilograms by volume, a 25% increase over the previous year.
- Achieved aggregate capacity utilization of ~95%.
- Addressed logistics challenges through a wider use of multi-modal solutions, reaching products faster to customers.
- Strengthened product innovations around the use of superior raw materials, finishes and increased spinning speed tolerances; introduced 40 new products with a high success rate.
- Focused on the manufacture of value-added yarns, around ₹50-60 per kg higher than the commodity alternatives.
- Widened footprint across new geographies like Korea and Nepal, increasing the number of countries of presence to around 62.

### Outlook, 2018-19

The Company is optimistic of the prospects of this business. When

this sectoral demand correction ends, the pent-up consumer demand, coupled with extensive trader de-stocking, could transpire into increased volumes and realisations.

Your Company's yarn business is expected to capitalise on account of the following advantages: it is a one-stop shop addressing the widening needs of customers; it is expected to reduce power cost following the commissioning of the 2.1 MW solar energy facility in Bhawanimandi; the backward integration into the manufacture of green PSF is expected to moderate costs; the Company intends to widen its geographical footprint; it intends to leverage its research through the introduction of a wider range of value-added products.



## Business segment#2

# Home Textiles

## OUR BUSINESS MODEL

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# 119.79

 ₹ crore

Revenue in 2017-18  
against ₹108.43 crore in 2016-17

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# 7.60

 ₹ crore

EBIDTA in 2017-18  
against ₹16.75 crore in 2016-17

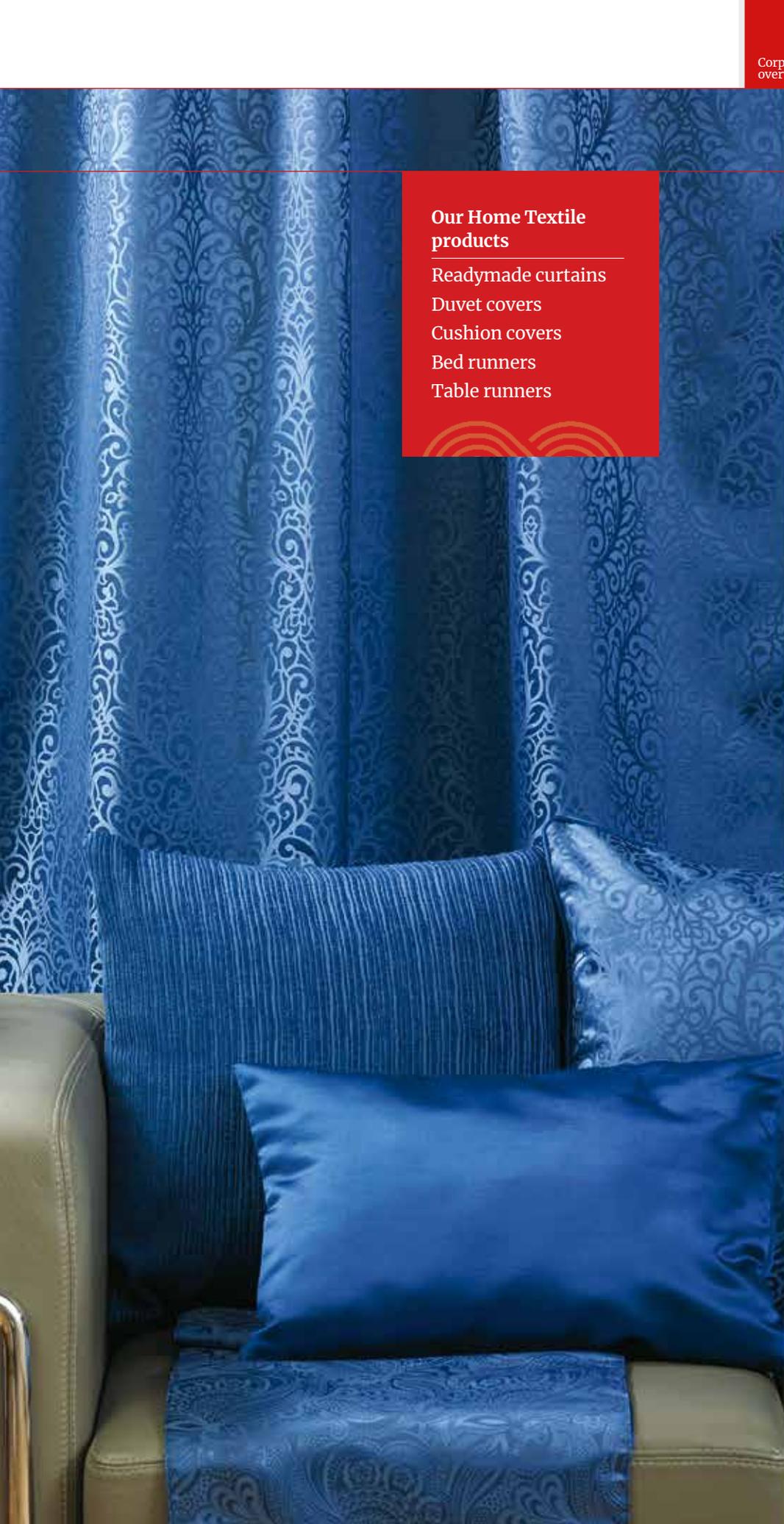
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# 78%

Capacity utilisation in 2017-18 against  
77.56% in 2016-17

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**Our Home Textile  
products**

Readymade curtains

Duvet covers

Cushion covers

Bed runners

Table runners

**5% revenue  
share**

**Focus on curtains  
and upholstery**

**Capacity 9.6 mn  
m/annum**

**Leading home  
décor producer and  
exporter**

**Latest design and  
manufacturing  
technology**

**State-of-the-  
art weaving and  
processing facility**

**126 looms (42  
looms single-  
width)**


**Damanganga Home Textiles**
**Location:** Daheli (Gujarat)

**Product:** Home textiles furnishings

**Capacity:** 9.6 million metres per annum, 126 shuttle-less looms

**Overview**

Sutlej Textiles extended from the manufacture of specialised yarns to home textiles in 2006, extending its business integration and value-addition.

The extension helped the Company achieve a number of objectives: consumption of its specialised yarns within and in doing so reduce its dependence on the external market, strengthen its business de-risking, address the growing market for home textiles within India and emerge as a broadly diversified textiles company.

The Company addressed the prospects of this business with corresponding seriousness; it invested in cutting-edge equipment, state-of-the-art German software, a comprehensive testing laboratory, focused range (upholstery and curtains), contemporary designs and relevant collaborations (with reputed European studios). The Company trebled its manufacturing capacity

in late FY17, inspired by robust growth of the upholstery and curtain segments within the country's fabric segment.

**Challenges, 2017-18**

The Company encountered a number of challenges during the year under review. On the external front, the buying capacity of a principal section of the Company's customers was affected following demonetisation and GST, which impacted the Company's working during the first two quarters of the financial year under review. The Company continued to address teething challenges related to its expanded capacity (throughput and consistency).

**Operational highlights, 2017-18**

- Strengthened capacity utilisation from 77.56% in 2016-17 to 78% (first full year post-expansion).
- Engaged an external agency to conduct a process review (cost and quality).

- Commissioned a Singapore office to enhance design focus and service the sample/swatch needs of interior designers.
- Appointed a full-time sales consultant in Colombo to address the large hospitality market in Sri Lanka and Maldives.
- Strengthened the design team through the appointment of design consultants with rich European experience, catalysing the designing of customised fabrics for different customers.
- Explored Myanmar sales prospects through the appointment of a leading hospitality sector consultant.
- Acquired American Silk Mills to address the large US hotel market with complementary products; in turn, the Company marketed the acquired company's products, enhancing synergy.

**Financial highlights, 2017-18**

- The home textiles business accounted for 4.88% of the Company's revenues (4.82% in 2016-17).
- Revenues grew 10.48% from ₹108.43 crore in 2016-17 to ₹119.79 crore in 2017-18 despite GST impact.
- Exports increased 18.38%; export volumes stood at 2.0 million metres.
- Average realisations stood at ₹158.53/metre in 2017-18.

- The business entered markets like USA and Saudi Arabia.
- Scaled relationships with larger Indian wholesalers.
- Prospects were affected by a slowdown in furniture offtake.

**Outlook, 2018-19**

The business expects to capitalise on the growing synergy with the acquired American Silk Mills. It intends to leverage marketing initiatives undertaken in Colombo and Myanmar. The business

intends to market products directly to institutional customers in the hospitality sector and intends to spread wider and deeper in USA, leveraging the American Silk Mills network. The benefits of the GST implementation and enhanced competitiveness of the country's formal sector are expected to strengthen competitiveness and market share. The Company intends to penetrate B and C Indian urban locations with a complement of new designs and finishes.

**The strengths that we bring to this business**

**Specialised:** The manufacture of fabrics using fancy yarns

**Competitive:** The manufacture of the right product at the right cost in the right location

**Competence:** A strong design team customizing products as per respective market choices

**Leverage:** The Company (produced 960,000 metres / month in FY18) possesses an installed capacity of 900,000 metres / month

**Taking the Home Textiles business ahead**

- Focused presence in the area of curtains and upholstery
- Sale through catalogues and wholesale distribution networks
- Focus on exports for better realizations
- Upgraded design studio

**Why we are optimistic about our Home Textiles segment**

**Preference revolution:** Growing interiors pride and consumer awareness

**Cusp:** The Home Textiles business is where the apparel business was a couple of decades ago

**Evolution:** Home Textiles have moved from the functional to the fashion segment; from plain product they are now perceived as personality extension

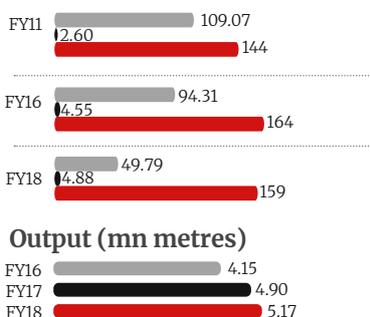
**Niche:** The country's formal sector is addressed by few players, a large opportunity

**Customised:** The product is beginning to evolve from large volume commodity manufacture to small batches of personalised design

**Knowledge:** The rich institutionalised experience of American Silk Mills

**Relationships:** The business provides large volumes to prominent textile brands

**Branded product:** American Silk Mills will be the Company's branded product in the marketplace

**How we are enhancing the value of this business**

■ Revenues (₹ cr)  
■ Revenues as % of overall revenues  
■ Average realisation per metre (₹)

The market for drapery and upholstery fabrics are valued at ₹5,000 cr each  
(Source: Teknopak)

# Corporate Social Responsibility



Felicitation from Smt. Vasundhara Raje, Hon'ble Chief Minister of Rajasthan, for contribution to Rajasthan Government's 'Mukhya Mantri Jal Swavalamban Abhiyan'.

**C**orporate Social Responsibility (CSR) allows an organization to contribute towards the society and environment and give back to the community. Establishing a CSR strategy is an important component of a company's growth. There must be robust policies and procedures in place, which combine social initiatives with business operations and the Company's core strategy in close collaboration with stakeholders.

Sutlej as an organization is committed to serve the communities in which it operates through measures that improve the quality of their life. The Company has a vision of establishing communities which are self-dependent and empowered. Sutlej conducts its CSR activities in the areas of health, education, environment protection, providing support in times of natural calamities. In 2017-18, the Company spent ₹6.26 crore towards CSR initiatives.



Commissioning of a tubewell for the benefit of the local community



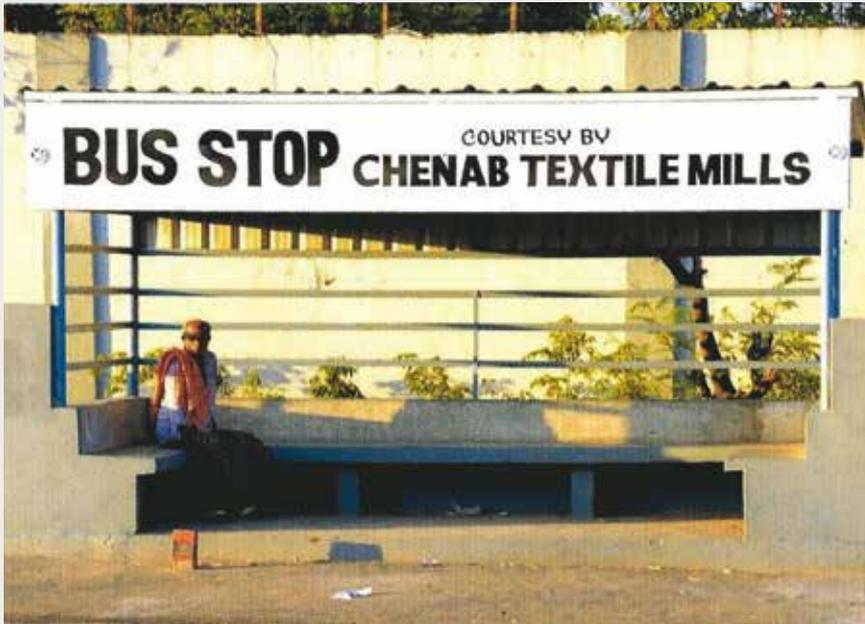
Felicitations received from Shri Vasudev Devnani, Hon'ble Education Minister, Government of Rajasthan, in the presence of Shri Kailash Meghwal, Speaker, Rajasthan Legislative Assembly for contribution in the field of education at the annual 'Bhamashah Samman Samaroh'

### Health

The Company organizes free medical camps at all nearby villages of its plant locations and extends financial aid to local NGOs to promote activities like Swachh Bharat Abhiyaan.

### Education

Sutlej provides scholarship and cash rewards to female students to encourage them to pursue education. It also distributes free books and school bags to under-privileged students.



Passenger shade at Kathua

### Environment

The Company has undertaken tree plantations in its premises to improve green cover and also funded afforestation efforts in Kathua town by adopting certain stretches of roads for improvement.

### Relief

Besides these initiatives, Sutlej is driven towards building a sustainable business with a prudent balance of financial robustness and social responsibilities. The Company strives to keep its operations environment-friendly, reducing its carbon footprint by investing in eco-friendly and reliable technologies and practices.



Providing two-wheelers for the specially abled



Constructing sheds for animal welfare

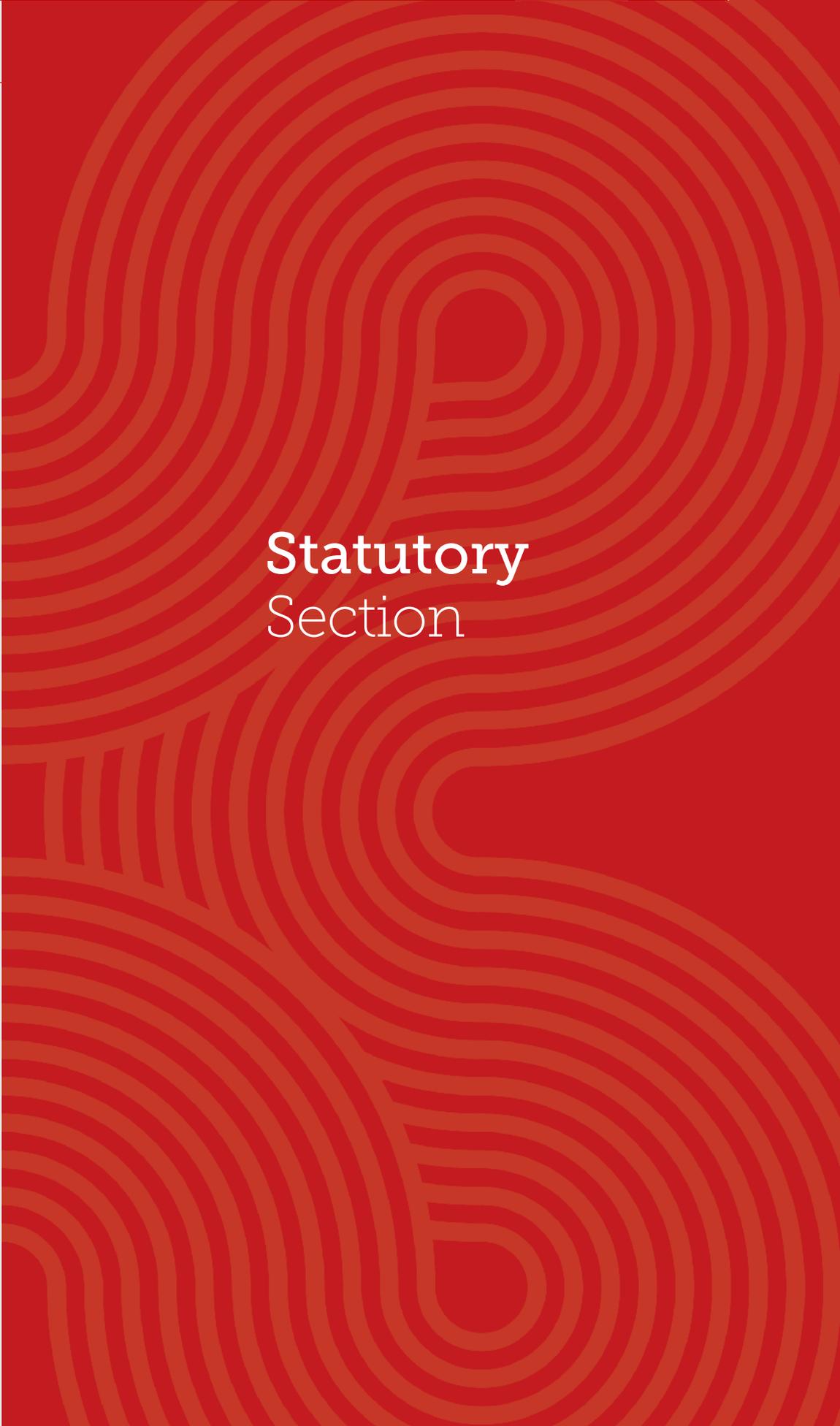


Construction of the Anicut Dam for irrigation

Sutlej is committed to serve communities in which it operates through measures that improve life quality. The Company has a vision of creating self-dependent and empowered communities.



Installation of tree guards



# Statutory Section

# Corporate Information

## Board of Directors

Mr. C. S. Nopany - Executive Chairman  
Mr. U. K. Khaitan  
Mr. Amit Dalal  
Mr. Rajan Dalal  
Mr. Rajiv K. Podar  
Mr. Rohit Dhoot (w.e.f. 25.10.2017)  
Mrs. Sonu Bhasin  
Mr. M. H. Rahman (upto 09.07.2017)  
Mr. Sukhvir Singh (upto 25.10.2017)  
Mr. Bipeen Valame (Wholetime Director and CFO)

## Executives

### Corporate office

Mr. S. K. Khandelia - President & CEO  
Mr. Updeep Singh Chatrath - Dy. Chief Executive Officer  
Mr. Bipeen Valame - Wholetime Director, CFO and Occupier  
Mr. D. R. Prabhu - Company Secretary & Compliance Officer (upto 25.10.2017)  
Mr. Manoj Contractor - Company Secretary & Compliance Officer (w.e.f. 25.10.2017)

## Unit Heads

### Bhawanimandi Unit

Mr. H. M. Vashisth - Executive President

### Kathua Unit

Mr. K. C. Sharma - Executive President

### Baddi Unit

Mr. Sukesh Kumar Agarwal - Executive President

### Daheli Unit

Mr. Pradeep Sharrma - Sr. Vice President

## Auditors

M/s. BSR & Co., LLP  
Chartered Accountants  
Building No. 10, 8<sup>th</sup> floor, Tower - B  
DLF Cyber City, Phase - II  
Gurgaon - 122 002

## Registrar & Transfer Agent

M/s. Link Intime India Pvt. Ltd.  
C-101, 247 Park  
L.B.S. Marg, Vikhroli (West)  
Mumbai 400083  
Tel. (022) 49186270; Fax (022) 49186060  
Email id: rnt.helpdesk@linkintime.co.in

## Bankers

Punjab National Bank  
The Jammu & Kashmir Bank Limited  
HDFC Bank Limited  
State Bank of India  
Bank of Maharashtra  
United Bank of India  
IDBI Bank Limited  
Bank of Nova Scotia  
Abu Dhabi Commercial Bank  
ICICI Bank Limited  
Standard Chartered Bank

## Registered Office

Pachpahar Road  
Bhawanimandi 326502, Rajasthan

## Manufacturing Units

### Rajasthan Textile Mills

Bhawanimandi -326502, Rajasthan

### Chenab Textile Mills

Kathua 184102 Jammu & Kashmir

### Birla Textile Mills

Baddi 173205 Himachal Pradesh

## Damanganga Units

1) Home Textiles  
2) Processing  
Village - Daheli  
Near Bhilad 396105, Gujarat

# Financial Highlights (Standalone)

(₹ in crore)

Particulars	2017-18	2016-17	2015-16	2014-15	2013-14
Revenue from Operations	2,453.94	2,249.62	2,074.03	1,878.58	1,883.90
Total Income	2,487.53	2,284.60	2,107.76	1,918.26	1,922.95
Earnings Before Depreciation, Impairment, Finance Cost and Taxes Expenses (EBDIT)	280.75	317.01	302.11	271.80	305.62
Depreciation, Impairment and Amortisation	106.58	85.02	79.84	69.91	75.19
Profit before Tax and Exceptional items	115.05	186.12	176.70	148.90	172.36
Exceptional items	41.83	2.34	-3.88	-0.68	-0.64
Profit before Tax	156.88	188.46	172.82	148.22	171.73
Profit after Tax	113.13	157.94	143.46	115.46	131.38
Equity Dividend (%)	130%	130%	130%	100%	80%
Dividend Payout	25.63	25.63	25.63	19.72	15.33
Equity Share Capital	16.38	16.38	16.38	16.38	16.38
Reserves and Surplus	890.20	799.59	666.95	541.85	446.11
Networth	906.58	815.97	683.33	558.23	462.49
Gross Fixed Assets	2,061.88	1,990.31	1,655.84	1,393.30	1,226.41
Net Fixed Assets	1,118.88	1,139.41	877.23	687.16	563.17
Total Assets	2,181.75	2,045.17	1,675.48	1,340.82	1,272.94
Market Capitalisation	1,164.82	1,347.65	750.34	510.98	360.42
Capital Employed	1,953.73	1,852.19	1,490.93	1,162.13	1,100.47

## Key Indicators

(₹ in crore)

Particulars	2017-18	2016-17	2015-16	2014-15	2013-14
Earning Per Share (₹) ^# \$	6.91	9.64	87.57	70.48	80.19
Book Value Per Share (₹) ^	55.34	498.06	417.10	340.74	282.30
Debt: Equity Ratio	1.15:1	1.27:1	1.18:1	1.07:1	1.36:1
EBDIT/ Gross Turnover %	11.44%	14.19%	14.57%	14.47%	16.22%
Net Profit Margin %	4.61%	7.02%	6.92%	6.15%	6.97%
Return on Networth %	12.48%	19.36%	20.99%	20.68%	28.41%
Return (PBIDT) to Capital Employed %	14.37%	17.23%	20.26%	23.39%	27.77%

^ Fall in FY 2014 due to issue of Bonus Shares.

# Adjusted for issue of Bonus Shares in 2013-14 in the ratio 1:2

\$ EPS adjusted for sub division of Equity Shares in 2017-18 from ₹10 to ₹1 each.

# Directors' Report

TO THE MEMBERS,  
**SUTLEJ TEXTILES AND INDUSTRIES LIMITED**

Your Directors are pleased to present the Thirteenth Annual Report, together with the audited financial statements of your Company for the year ended 31<sup>st</sup> March, 2018.

## 1. Financial Results

The financial statements of the Company have been prepared in accordance with the Indian Accounting Standards (Ind AS) notified under Section 133 of the Companies Act, 2013 (the Act) read with The Companies (Accounts) Rules, 2014. The financial statements for the financial year ended 31<sup>st</sup> March, 2018 as well as comparative figures for the year ended 31<sup>st</sup> March, 2017 are Ind AS compliant.

The financial highlights of your Company for the financial year ended 31<sup>st</sup> March, 2018 are summarized as follows:

### 1.1 Highlights of Standalone Performance

- Revenue from operations (Gross) stood at ₹2,453.94 crore as compared to ₹2249.62 crore in FY 2016-17;
- Profit before Tax for FY 2017-18 was ₹156.88 crore as compared to ₹188.46 crore in FY 2016-17;
- Profit after Tax for FY 2017-18 was ₹113.13 crore as compared to ₹157.94 crore in FY 2016-17.

This performance was achieved as cumulative outcome of multiple factors such as product rationalization, capacity optimization, cost control measures, etc. taken by the management of your Company. The benefits of recently completed expansion and modernization programmes in the current financial year, shall accrue in the current and future years.

### 1.2 Financial Results

(₹ in crore)

Particulars	Year ended 31 <sup>st</sup> March, 2018	Year ended 31 <sup>st</sup> March, 2017
Revenue from Operations	2453.94	2249.62
Other income	33.59	34.98
<b>Total income</b>	<b>2487.63</b>	<b>2284.60</b>
<b>Less: Total expenses</b>	<b>2265.96</b>	<b>2013.46</b>
<b>Gross Profit</b>	<b>221.63</b>	<b>271.14</b>
Less: Depreciation and Amortisation Expenses	106.58	85.02
Exceptional Item	(41.83)	(2.34)
Taxation:		
- Current	28.06	39.69
- Deferred (net)	15.69	(9.17)
<b>Profit after Tax</b>	<b>113.13</b>	<b>157.94</b>

## 2. Dividend

Your Directors are pleased to recommend a dividend of ₹1.30 per share for the year ended 31<sup>st</sup> March, 2018, subject to shareholders' approval at the forthcoming 13<sup>th</sup> Annual General Meeting (AGM) of the Company. The total outgo on account of dividend to the shareholders will be ₹25.67 crore (inclusive of dividend distribution tax).

## 3. Finance

**3.1** Your Company continues to focus on judicious management of its working capital. Receivables, inventories and other working capital parameters were kept under strict check through a process of continuous monitoring.

### 3.2 Rating

As at the end of the financial year, your Company has been assigned a rating of:

- i. CARE AA (Double A) for Long Term Bank Facilities (Term Loan) and for Long Term Bank Facilities (Fund Based) signifying high degree of safety regarding timely servicing of financial obligations. Such facilities carry very low credit risk.
- ii. CARE A1+ (A One Plus) for Short Term Bank Facilities (Fund and Non-Fund based) and Commercial Paper is affirmed signifying very strong degree of safety regarding timely payment of financial obligations. Such facilities carry lowest credit risk.

### 3.3 Deposits

Your Company has discontinued its Fixed Deposit Scheme with effect from 31<sup>st</sup> March, 2014 and has not accepted any public deposits during the year under review. As on 31<sup>st</sup> March, 2018, there were no unclaimed/outstanding deposits or accrued interest with respect to deposits.

### 3.4 Particulars of Loans, Guarantees or Investments

Details of Loans, Guarantees and Investments made by your Company and covered under the provisions of Section 186 of the Companies Act, 2013 are appended as notes to the financial statements.

## 4. Issuance of securities

Your Directors have approved raising of funds by way of one or a combination of : issue of unsecured / secured, redeemable, non-convertible debentures / bonds, issuance of equity shares, GDR's, ADR's, Foreign Currency Convertible bonds or by any other permitted mode; for long term working capital requirements, growth plans, etc. for an aggregate amount not exceeding ₹500,00,00,000/- (Rupees Five Hundred Crore only) as permitted under applicable laws and subject to such approvals as may be required. This proposal is subject to approval by the members at the ensuing 13<sup>th</sup> Annual General Meeting and all statutory and regulatory compliances.

## 5. Expansion, Modernisation and other Capital Projects

The financial year under review witnessed substantial expansion activities carried out by your Company through organic means.

### 5.1 Expansion Projects

The details of the expansion projects undertaken are given below:

#### 5.1.1 Home Textiles Division – Acquisition of business in USA

Your Company acquired the Design, Sales and Distribution (DS&D) business along with brands of America Silk Mills LLC (ASM). The acquisition will enable your Company to leverage on the experience and expertise of ASM by increasing its foot-print in the US market and will add strength of ASM to our home textile portfolio.

#### 5.1.2 Brownfield project - capacity expansion of value added products at Bhawanimandi, Rajasthan

- Commenced commercial production of 35,280 spindles at Bhawanimandi, Rajasthan facility which was set up at a project cost of ₹270 crore.
- Dedicated capacity focused on production of value added Cotton and Cotton Blended Dyed and Mélange Yarn.

### 5.1.3 Greenfield project – Setting up of a Green Fibre project to manufacture polyester staple fibre by recycling of pet bottles

Your Board proposes to set up a facility for producing polyester staple fibre by recycling of pet bottles with a capacity of 80 mt/day at an estimated capital outlay of around ₹110 crore. The project is expected to be completed in FY 2020.

### 5.2 Modernisation, upgradation and debottlenecking projects

Your Company has invested an amount of ₹58 crore on technology up-gradation and debottlenecking. This will result in further improvement in efficiency and sustaining plant utilization.

## 6. Subsidiaries

During the year the Company has set up a wholly owned subsidiary in the USA viz. Sutlej Holdings Inc., which in turn has a wholly owned subsidiary viz. American Silk Mills, LLC. The acquired business of ASM is housed in American Silk Mills, LLC.

Further, pursuant to the provisions of Indian Accounting Standard 110 (Ind AS - 110) prescribed under the Companies (Accounting Standards) Rules 2006, the Securities Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("Listing Regulations, 2015") and as prescribed by the Securities and Exchange Board of India, consolidated financial statements presented by the Company include financial information of subsidiary companies, which forms a part of the Annual Report. Pursuant to the provisions of Section 129(3) of the Act, a statement containing salient features of the financial statements of subsidiaries in Form AOC-1 is attached. Your Company has also formulated a policy for determining material subsidiaries, which is uploaded on the website of the Company at the web link: <http://www.sutlejttextiles.com/assets/pdf/policy/Material%20Subsidiary%20Policy.pdf>

## 7. Share Capital and Sub-Division

The nominal value of the equity shares of your Company was sub-divided from ₹10/- each to ₹1/- each subsequent to the approval by the members at the 12<sup>th</sup> AGM of the Company. Equity shares of the nominal value of ₹1/- were credited to the demat account of the members of the

Company through corporate actions. The physical share certificates were also dispatched to all the members at the address registered with the Company. Your Company has not issued any further shares. Your Company's equity shares are listed on BSE Limited (BSE) and National Stock Exchange of India Limited (NSE).

## 8. Management Discussion and Analysis Report

The Management Discussion and Analysis Report as required under Regulation 34 of the Listing Regulations is given separately by way of "Annexure I" to this report.

## 9. Directors & Key Managerial Personnel

### 9.1 Change in Directors and Key Managerial Personnel

- The Board of Directors accepted the resignation of Mr. Sukhvir Singh, as Director of the Company w.e.f. 25<sup>th</sup> October, 2017.
- Mr. M. H. Rahman ceased to be a Director of the Company w.e.f. 09<sup>th</sup> July, 2017 due to his demise.
- Mr. Rohit Dhoot was appointed by the Board as an Additional Director (Non - Executive Independent) w.e.f. 25<sup>th</sup> October, 2017.
- Mr. D. R. Prabhu superannuated from the services of the Company as Company Secretary and Compliance Officer (KMP) of the Company w.e.f. 25<sup>th</sup> October, 2017.
- The Board of Directors appointed Mr. Manoj Contractor, as Company Secretary and Compliance Officer (KMP) of the Company w.e.f. 25<sup>th</sup> October, 2017.

The Board places on record its appreciation for the valuable services rendered by Mr. M. H. Rahman - Independent Director, Mr. Sukhvir Singh - Non Executive Director and Mr. D. R. Prabhu - Company Secretary and Compliance Officer during their tenure with the Company.

### 9.2 Re-appointment of Director:

In accordance with the provisions of the Companies Act, 2013 and in terms of the Memorandum and Articles of Association of the Company, Mr. C. S. Nopany is proposed to be re-appointed as the Executive Chairman at the forthcoming 13<sup>th</sup> AGM.

Mr. Bipeen Valame, Wholetime Director and CFO retires by rotation and being eligible offers himself for re-appointment.

Mr. Rohit Dhoot was appointed by the Board as an Additional Director (Non - Executive Independent) w.e.f. 25<sup>th</sup> October, 2017. The Company has received a notice from a member with a deposit of ₹1 lac proposing his candidature as a Non – Executive Non – Independent Director at the forthcoming AGM.

Necessary resolutions seeking approval of the members for proposed re-appointment / appointment of directors along with the respective brief profile of the Directors, have been incorporated in the Notice of the ensuing AGM.

### 9.3 Independent Directors

All the Independent Directors of the Company have been appointed for a fixed term of 5 consecutive years from the date of their respective appointment / regularization in the AGM and they are not liable to retire by rotation. All Independent Directors have given declarations that they meet the criteria of independence as laid down under Section 149(6) of the Companies Act, 2013 and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (Listing Regulations, 2015).

### 9.4 Board Effectiveness

#### 9.4.1 Familiarization Policy

Pursuant to Regulation 25(7) of Listing Regulations, 2015, the Board has framed a policy to familiarize the Independent Directors about the Company. The policy is available on the website of the Company at the weblink:[http://sutlejtextiles.com/assets/pdf/policy/Familiarisation%20Programe-%20Final\\_20.2.2016.pdf](http://sutlejtextiles.com/assets/pdf/policy/Familiarisation%20Programe-%20Final_20.2.2016.pdf).

The familiarization policy of the Company seeks to familiarize the Independent Directors with the working of the Company, their roles, rights and responsibilities, vis a vis the Company, the industry in which the Company operates, business model, etc.

#### 9.4.2 Board Evaluation

Pursuant to the provisions of the Act and Listing Regulations, 2015, the Board has carried out an evaluation of its own performance and of the directors individually, as well as the evaluation of the working of the Board Committees. The manner of evaluation has been

explained in the Corporate Governance Report.

### 9.5 Criteria for selection of Directors, KMPs and Senior leadership positions and their remuneration

The Board on the recommendation of the Nomination & Remuneration Committee has framed a policy for selection and appointment of Directors, Senior Management personnel and their remuneration. The policy is available on the Company's Website at the weblink: <http://sutlejtextiles.com/assets/pdf/policy/remuneration-policy.pdf>. The policy contains, inter-alia, principles governing directors' appointment and remuneration, including criteria for determining qualifications, positive attributes, independence of director, etc.

### 9.6 Key Managerial Personnel

Pursuant to the provisions of Sections 2(51) and 203 of the Act read with The Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, the following are the Key Managerial Personnel of the Company:

- Mr. S. K. Khandelia, President & C.E.O.;
- Mr. Bipeen Valame, Wholetime Director & C.F.O.; and
- Mr. Manoj Contractor, Company Secretary & Compliance Officer.

## 10. Meetings of the Board

A calendar of prospective meetings is prepared and circulated in advance to the Directors. The details of Board and Committee meetings held during the year under review, are given in the Corporate Governance Report forming part of this Annual Report. The gap between these meetings was within the prescribed period under the Act and Listing Regulations, 2015.

## 11. Related Party Transactions

All related party transactions that were entered into during the financial year were on an arm's length basis and were in the ordinary course of business. Your Company did not enter into any material related party transactions with Promoters, Directors, Key Managerial Personnel or other designated persons.

All Related Party Transactions are placed before the Audit Committee as also the Board for approval. Prior omnibus approval of the Audit Committee is obtained on an annual basis for transactions which are of a foreseeable and repetitive nature. A detailed statement of such Related Party Transactions entered into pursuant to the omnibus approval so granted are placed before the Audit Committee and the Board of Directors for their review on a quarterly basis. Suitable disclosures as required by the Indian Accounting Standards (Ind AS 24) have been made in the notes to Financial Statements.

The Company has formulated a Related Party Transactions Policy for the purpose of identification and monitoring of such transactions. The policy on Related Party Transactions as approved by the Board is uploaded on the Company's website and is available at the weblink: <http://sutlejttextiles.com/assets/pdf/policy/policy-on-related-party-transactions.pdf>.

## 12. Internal Financial Control Systems

Your Company's Internal Financial Control Systems are robust, comprehensive and commensurate with the nature of its business and size, scale and complexity of its operations. The system covers all major processes including operations, to ensure reliability of financial reporting, compliance with policies, procedures, laws and regulations, safeguarding of assets and economical and efficient use of resources.

The Internal Auditors continuously monitor the efficacy of internal controls with the objective of providing to the Audit Committee and the Board of Directors, an independent, objective and reasonable assurance on the adequacy and effectiveness of the organisation's risk management with regard to internal control framework.

The policies and procedures adopted by the Company ensures orderly and efficient conduct of its business and adherence to the Company's policies, prevention and detection of frauds and errors, accuracy and completeness of the records and the timely preparation of reliable financial information.

The Audit Committee actively reviews adequacy and effectiveness of internal control systems and suggests improvements, for strengthening them in accordance with the business dynamics, if necessary. The Audit Committee also meets the Company's Statutory Auditors to ascertain their views on the financial statements,

including the financial reporting system and compliance to accounting policies and procedures followed by the Company.

## 13. Auditors Report

The Board has duly reviewed the Statutory Auditors' Report on the financial statements including notes to the financial statements. The observations of the Auditors in their report on the financial statements of the Company are self-explanatory and in the opinion of the Directors, do not call for any further clarification.

## 14. Auditors

### 14.1 Statutory Auditor

The Company's Auditors, M/s. BSR & Co., LLP, Chartered Accountants, (ICAI Firm Registration Number: 101248W/W-100022), were appointed as the Statutory Auditors of the Company for a period of five years commencing from the Company's financial year 2017-18 to hold office from the conclusion of the 12<sup>th</sup> Annual General Meeting of the Company till the conclusion of the 17<sup>th</sup> Annual General Meeting to be held in the year 2022. The Auditors have confirmed their eligibility under Section 141 of the Act and the Rules framed thereunder for re-appointment as Auditors of the Company. As required under Regulation 33 of the Listing Regulations, 2015 the Auditors have also confirmed that they hold a valid certificate issued by the Peer Review Board of the Institute of Chartered Accountants of India.

The Auditors' Report for the financial year ended 31<sup>st</sup> March, 2018 has been issued with an Unmodified Opinion.

### 14.2 Internal Auditors

The Board of Directors upon the recommendation of the Audit Committee of the Board has appointed M/s. Singhi & Co., Chartered Accountants (FRN:302049E) as Internal Auditors of the Company. M/s. Singhi & Co. had confirmed their eligibility and have granted their consent to act as Internal Auditors of the Company.

### 14.3 Cost Auditors

In conformity with the provisions of Section 148 of the Act read with The Companies (Cost Records and Audit) Amendment Rules, 2014, the Board on the recommendation of the Audit Committee, has appointed

M/s. K. G. Goyal & Associates, Jaipur, Cost Accountants (FRN-000024) to audit the cost records relating to the Company's units viz. Rajasthan Textile Mills, Chenab Textiles Mills, Birla Textile Mills, Damanganga Home Textiles and Damanganga Process, for the financial year ending on 31<sup>st</sup> March, 2019, at a remuneration as specified in the Notice convening the 13<sup>th</sup> AGM.

As required under the Companies Act, 2013, the remuneration payable to the cost auditor is required to be placed before the members in a general meeting for their ratification. Accordingly, a resolution seeking member's ratification for the remuneration payable to M/s. K. G. Goyal & Associates, Cost Auditors is included in the Notice convening the 13<sup>th</sup> AGM.

#### 14.4 Secretarial Audit

Pursuant to the provisions of Section 204 of the Act and The Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, the Board had appointed M/s. R. Chouhan & Associates, Company Secretary in Practice, to undertake the Secretarial Audit of the Company for the year under review. The Report of the Secretarial Auditor annexed to this Report is self-explanatory and does not call for any further clarification.

### 15. Compliance of Secretarial Standards

The Company has complied with the secretarial standards issued by the Institute of Company Secretaries of India and forming part of the Act, on meetings of the Board of Directors and General Meetings.

### 16. Business Risk Management

Pursuant to Regulation 17(9) of the Listing Regulations, 2015 the Company has laid down a robust risk management framework to inform the Board about the risk assessment and minimization procedures undertaken by the Company. Your Company has formed a Risk Management Committee, for timely identification and mitigation of risks as a better corporate governance practice.

The risk management framework is designed to identify, evaluate and assess business risks and their impact on Company's business. The risk assessment and minimization procedures are reviewed by the Board annually to ensure that executive management controls

risk through the mechanism of a properly defined framework. The framework is aimed at creating and protecting stakeholder value by minimizing threats and losses and identifying and maximizing opportunities.

### 17. Energy Conservation, Technology Absorption and Foreign Exchange Earnings and Outgo

The requisite information with regard to conservation of energy, technology absorption and foreign exchange earnings and outgo, as required to be disclosed pursuant to Section 134(3)(m) of the Act read with Rule 8 of The Companies (Accounts) Rules, 2014 is given to the extent applicable in "Annexure II", to this report.

### 18. Corporate Governance

Your Company is committed to maintain the highest standards of ethics and governance, resulting in enhanced transparency for the benefit of all stakeholders. Your Company has implemented all the stipulations enshrined in the Listing Regulations, 2015, and the requirements set out by the Securities and Exchange Board of India. The Report on Corporate Governance as stipulated under Regulation 27 of the Listing Regulations, 2015 forms part of this report as "Annexure III". The requisite Certificate from the Statutory Auditors of the Company, M/s. BSR & Co., LLP, Chartered Accountants, confirming compliance with the conditions of Corporate Governance stipulated under Regulation 27 of the Listing Regulations, 2015 is annexed to the Report on Corporate Governance, which forms part of this report.

### 19. Corporate Social Responsibility

In conformity with Section 135 of the Act and Rules made thereunder, your Company has formed a Corporate Social Responsibility ("CSR") Committee to oversee the CSR activities initiated by the Company during the financial year under review. The details of the Committee and its terms of reference are set out in the Corporate Governance Report forming part of the Board's Report. Your Company has adopted a CSR Policy for the Company which provides a broad framework with regard to implementation of CSR activities carried out by the Company in accordance with Schedule VII of the Act. The CSR Policy may be accessed on the Company's website at the link: <http://sutlejtextiles.com/assets/pdf/>

policy/csr-policy-2014-adopted-13-05-2014.pdf. During the financial year 2017-18, your Company has spent ₹6.22 crore towards CSR activities. Your Company's key objective is to make a difference to the lives of the underprivileged and is committed to CSR engagement. The activities undertaken by your Company have been duly acknowledged and appreciated by the concerned State Governments and local communities. A report on CSR activities as prescribed under the Act and Rules made thereunder is annexed herewith as "Annexure IV".

## 20. Vigil Mechanism / Whistle Blower Policy

Your Company has in place a vigil mechanism for directors and employees to report concerns about unethical behaviour, actual or suspected fraud or violation of your Company's Code of Conduct.

Under the vigil mechanism of the Company, which also incorporates a whistle blower policy in terms of Regulation 22 of the Listing Regulations, 2015, protected disclosures can be made by a whistle blower through an e-mail, or dedicated telephone line or a letter to the Chairman of the Audit Committee. Adequate safeguards are provided against victimization to those who avail of the vigil mechanism.

The policy on vigil mechanism and whistle blower policy may be accessed on the Company's website at the link: <http://sutlejttextiles.com/assets/pdf/policy/whistle-blower-policy-adopted-13-05-14.pdf>

## 21. Prevention of Sexual Harassment at Workplace

As required under the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 and Rules framed thereunder, the Company has implemented a policy on prevention, prohibition and redressal of sexual harassment at the workplace. This has been widely communicated internally. Your Company has constituted an Internal Complaints Committees (ICC) as per the requirement of the Act to redress complaints relating to sexual harassment at its workplaces.

## 22. Significant and Material Orders Passed by Regulators or Courts

There are no significant or material orders passed by

any Regulators / Courts which would impact the going concern status of the Company and its future operations.

## 23. Extract of Annual Return

In terms of the provisions of Section 92(3) of the Act read with the Companies (Management and Administration) Rules, 2014, the extract of the Annual Return in form MGT-9 for the financial year ended 31<sup>st</sup> March, 2018 is provided herewith as "Annexure V" and forms part of the Report.

## 24. Particulars of Employees

Disclosures pertaining to remuneration and other required information pursuant to Section 197(12) of the Act read with Rule 5 of The Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, in respect of employees of the Company, is provided herewith as "Annexure VI" and forms part of the Report.

## 25. Directors' Responsibility Statement

To the best of their knowledge and belief and according to the information and explanations obtained, your Directors make the following statements in terms of Section 134(3)(c) of the Act:

- a. that in the preparation of the annual financial statements for the year ended 31<sup>st</sup> March, 2018, the applicable accounting standards have been followed alongwith proper explanation relating to material departures, if any;
- b. that such accounting policies have been selected and applied consistently and judgment and estimates have been made that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 31<sup>st</sup> March, 2018 and of the profit of the Company for the year ended on that date;
- c. that proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- d. that the annual financial statements have been prepared on a going concern basis;
- e. that proper internal financial controls were in place

and that the financial controls were adequate and were operating effectively; and

- f. that systems to ensure compliance with the provisions of all applicable laws were in place and were adequate and operating effectively.

## 26. Acknowledgements

Your Directors would like to express their sincere appreciation for the assistance and co-operation received from various stakeholders including financial institutions and banks, Government authorities and other business

associates who have extended their valuable support and encouragement during the year under review.

Your Directors take this opportunity to place on record their deep appreciation for the committed services rendered by the employees of the Company at all levels, who have contributed significantly towards the Company's performance and for enhancing its inherent strength. Your Directors also acknowledge with gratitude the encouragement and support extended by our valued shareholders.

For and on behalf of the Board

Place: New Delhi  
Dated: 11<sup>th</sup> May, 2018

**(C.S. Nopany)**  
Executive Chairman  
DIN No. 00014587

# Management discussion and analysis

## Global economic overview

In 2017, a global economic revival became visible with most major economies expanding, resulting in an estimated 3.7% global economic growth, some 60 bps higher than the previous year. Crude oil prices increased in 2017, beginning the year at \$54.13 per barrel and closing the year at \$61.02 per barrel, the highest since 2013.

## Global economic growth for 6 years

Year	2014	2015	2016	2017 (e)	2018 (f)	2019 (f)
Real GDP Growth (%)	3.5	3.2	3.1	3.7	3.9	3.0

[Source: World Economic Outlook, January 2018] e: estimated f: forecasted

**The US:** The world's largest economy entered its ninth straight year of growth in 2017 (2.3% compared to 1.6% in 2016) following extended government spending, US\$1.5 trillion tax cuts and growth in private consumption from 1.5% in 2016 to 2.2% in 2017.

**Euro zone:** This region experienced the upside arising out of cheap money provided by the central bank. In 2017, Euro zone was estimated to grow 2.4% compared with 1.8% in 2016. (Source: WEO January 2018, focus economics).

**China:** The Chinese economy grew faster in the fourth quarter (October to December) of 2017 at 6.8%, resulting in China's first annual growth in seven years (estimated at 6.9%, the highest since 2010). Disposable income growth picked up to 7.3% in 2017 from 6.3% in 2016.

**Emerging Asia:** Emerging Asia GDP growth is estimated at 6.5% in 2017, the region driven by infrastructure spending and stable economies.

**GCC:** GCC countries were affected by the oil price decline (~60% since 2013), resulting in macro-economic instability. GDP growth remained subdued at 1.8% in 2017. Regional growth is projected to increase steadily to 3% in 2018 and 3.2% by 2020 following a decline in geopolitical tension and recovery in oil prices. (Source: World Bank)

**Russia:** In 2017, Russia was estimated to grow 1.9% following negative growth of 0.6% in 2016 (WEO) with a

projected GDP growth of 1.8% in 2018. (Source: MOMR)

**Brazil:** In 2017, Brazil grew at 1.1% following a deceleration of 3.5% in 2016. The recovery in the GDP was boosted mainly by the agricultural sector which grew by 13% and decline in inflation.

## Outlook

Global growth forecasts for 2018 and 2019 were revised upward by 20 bps to 3.9%, reflecting improved momentum and the impact of tax policy changes in the US. (Source: WEO, IMF)

## Indian economic overview

After registering GDP growth of over 7% for the third year in succession in 2016-17, the Indian economy headed for estimated 6.6% growth in 2017-18. Even with this lower growth for 2017-18; GDP growth averaged 7.3% for 2014-15 to 2017-18.

The year under review was marked by structural reforms: GST introduction, growing resolution of problems associated with bank non-performing assets, FDI liberalization, bank recapitalization and coal mine privatization. After a negative performance for a couple of years, exports rebounded in 2016-17 and 2017-18; foreign exchange reserves rose from US\$ 360.77 bn in January 2017 to US\$ 414 billion in January 2018. (Source: CSO, Economic Survey 2017-18)

**National performance for FY2017-18 Vs FY 2016-17**

(₹ in crore)

<b>Growth</b>	<b>2017-18*</b>	<b>2016-17</b>
GDP	6.6%	7.1%
GVA	<b>6.4%</b>	<b>9.0%</b>
Farm	3.0%	9.0%
Manufacturing	5.1%	9.3%
Power and gas	7.3%	6.5%
Mining	3.0%	1.9%
Construction	4.3%	3.5%
Trade, hotel, transport, telecom	8.3%	9.8%
Financials, realty	7.2%	9.8%
Public, admin, Defence	10.1%	16.6%
Per capita income	8.3%	9.7%

\*Estimated

(Source: <http://pib.nic.in/newsite/PrintRelease.aspx?relid=163287>)**Key government initiatives**

**Improving ecosystem:** The country was ranked at the hundredth position, an improvement of 30 places in the World Bank's Ease of Doing Business 2017 report, a result of the Central Government's pro-reform agenda, comprising measures like the passing of Insolvency and Bankruptcy Code, simplifying tax computation and merging applications for PAN and TAN. In addition, Aadhaar-based identification approach could streamline the regulatory regime. (Source: KPMG)

**Bank recapitalisation scheme:** The Central Government announced a capital infusion of ₹2.1 lacs crore into public sector banks.

**Expanding road network:** The Government of India announced a ₹6.9 lacs crore investment to construct 83,677 kilometres of roads across five years.

**Goods and Services Tax:** The Government of India launched GST in July 2017, the benefits being a unified market and taxing goods and services at five slabs (28%, 18%, 12%, 5% and zero tax).

**Coal mining opened for private sector:** Ending state monopoly, the government opened coal mining to private sector firms for commercial use, expected to attract major players, enhance sectoral efficiency, widen competition, increase competitiveness and induct best technologies. (Source: The Hindu, Business Today)

**Doubling farm incomes:** The government initiated a seven-point action plan to double farm incomes by 2022.

The result: Foreign direct investment increased from approximately USD 24 billion in FY2012 to approximately USD 60 billion in FY2017, an all-time high. World Economic Forum's Global Competitiveness Report 2017 ranked India at an impressive 23<sup>rd</sup> in the Global Competitiveness Index compared with 39<sup>th</sup> in 2016.

**Outlook**

World Bank projected India's economic growth to accelerate to 7.3% in 2018-19 and 7.5% in 2019-20. Strong private consumption and services are expected to continue to support economic activity. Private investment is expected to revive as soon as the corporate sector adjusts to the GST. The recapitalisation package for public sector banks announced by the Government of India is expected to strengthen banking sector Balance Sheets, credit availability and investment. (Source: IMF, World Bank)

**Global textiles and apparel industry**

The global textile and clothing business is estimated at ~US\$800 billion. The Asia Pacific accounted for 60.7% of the global textile business. Interestingly, the two most important challenges faced by the industry relate to technologies: developing an online sales channel to

offset declining sales in physical stores and automation investments to improve margins.

## Emerging trends

**Globalisation reboot:** Despite nationalism and re-shoring, a new phase of globalization, characterised by the exponential growth of cross-border bandwidth, connectivity and digital data flows, could alter the global playing field and provide select players a competitive advantage.

**Predictably unpredictable:** Geopolitical turmoil, economic uncertainty, and unpredictability are the new normal. Fashion companies and executives need to be vigilant to be able to adapt.

**Asian trailblazers:** With two-thirds of the world's e-commerce 'unicorns' and over half global online retail sales, Asia could assert leadership through innovation, global-scale investment and expansion.

**Platforms first:** Consumers will look to online platforms to search for products, attracted by convenience, relevance and offerings range. Correspondingly, platforms will grow in scale and reach fashion brands.

**Getting personal:** Brands will start mining data even more to come up with tailor-made recommendations, engage influencers, and personalise experiences.

**Mobile obsessed:** More consumer transactions will extend to mobile phones. With an abundance of mobile-payment solutions available globally, consumers will expect fashion companies to cater to increasingly convenient mobile transactions.

**Sustainability credibility:** More fashion brands will plan for recyclability from the fibre stage of the supply chain; many will harness sustainability to unlock efficiency, transparency and genuine ethical upgrades. (Source: McKinsey)

## Growth drivers

**Global apparel consumption:** In 2017, the global apparel market was estimated at US\$1.7 trillion - 2% of the global GDP of US\$73.5 trillion. Growing disposable income in developing countries is expected to increase apparel consumption. Global apparel consumption could increase from US\$1.7 trillion in 2016 to US\$2.6 trillion by 2025.

**China and India big market opportunities:** India and China leveraged their human capital base and raw material

availability to emerge as promising textile markets. In 2017, the apparel market size of China and India was estimated at US\$237 billion and US\$59 billion respectively and could cumulatively represent a significant proportion of the global apparel consumption of several developed markets.

**Rising domestic market of China:** China has dominated global textile trade for the last two decades with a >40% share. The high domestic demand and increasing wages could slow textiles exports from China, creating a market opportunity and benefiting countries with a cost advantage.

**Growing consumption of man-made fibres:** Cotton has always been the most crucial textile raw material but due to supply pressures, it may struggle to satisfy growing demand. On the other hand, global man-made fibre demand is expected to grow at a CAGR of 2.5% between 2017 and 2025 and reach 115 million tonnes by the end of the period. The share of cotton in textiles could decline from 31% in 2015 to 28% in 2025; the share of polyester could grow from 51% to 55% implying that by 2025, the global consumption of polyester could be ~2x cotton.

**FTAs to drive trade and investments in the sector:** The textile and apparel industry is labor intensive, prompting high duties to safeguard domestic interests. Key apparel markets like EU, US and Japan have multiple market access arrangements with several key manufacturing nations. Currently, FTAs are gaining importance and possess the potential to change trade and investment flows. (Source: Indian Textile)

## Sectoral strengths

- Stable long-term demand due in emerging markets
- Steady supply of man-made fibres

## Sectoral weaknesses

- Severe downstream competition due to e-commerce
- Rapidly changing customer behaviour
- Volatile raw material prices; increasing wages

## Sectoral opportunities

**China's decline:** An important sectoral development is the fall in China's predominance, opening opportunities for India, Vietnam and Bangladesh. Besides, emerging regional trading agreements can create a paradigm shift in trade and investment flows.

**Inclusive growth:** India's textile sector development is not only socially significant, but catalyses national income, exports and entrepreneurship, given that some segments in the textile chain are capital-light with lower gestations in project commissioning.

**Greater value addition:** Of India's total exports of textiles and apparel, >50% is contributed by textiles with attractive value-addition scope in downstream activities (fabric processing and weaving).

**Enhanced government focus:** India can realise its global potential if the government provides a long-term strategy to support the textile value chain. The issues warranting attention comprise low manufacturing scale, lack of market access, infrastructure constraints and high input costs.

**Elimination of trade barriers:** India has to work towards eliminating trade barriers, and needs to take measures to expand market access. For instance, the biggest challenge that the apparel industry is facing today is the cost disadvantage across major markets. India's competing countries have zero duty access in these markets.

## Outlook

According to World Trade Organisation, global trade is set to expand by 3.3% in 2018 and 4% in 2019, strengthening prospects for the apparel industry. Economic growth could be broad-based across United States, Euro area, Japan, China, emerging Europe and Russia, translating into increased clothing demand in 2018.

Oversupply could remain a significant challenge for the apparel industry in 2018. While global population increased 21.6% between 2000 and 2016, the value of clothing exports (inflation-adjusted) surged 123.5% over the same period. Between 2000 and 2016, the total U.S. population increased by 14.5% and the GDP per capita increased by 22.2%, while apparel supply to the U.S. retail market surged 67.8% during the period.

Oversupply affects a number of apparel companies as well as intense competition, need to control production and sourcing costs, managing excessive inventory while balancing sustainability and business growth. (Source: IMF, WTO)

## Global cotton industry

The International Cotton Advisory Committee (ICAC) estimates an increase in global cotton consumption in

cotton year 2017-18 at 26.38 million tons, the highest since 2009-10. Global cotton production is estimated to be at 26.87 million tons in cotton year 2017-18 with US, China, India accounting for a combined 62% of global production (63% in FY17). This marks a 17% increase in production. China, India and Pakistan continue to lead with their combined use accounting for 62% of total mill use. (Source: ICAC)

## Cotton cultivation in India

As per the Cotton Association of India, the total cotton production for season 2017-18 is expected to be 365 lac bales. The estimated total cotton supply for the season is 416 lacs bales of 170kgs each, with an opening stock of 36 lacs bales and imports of 15 lacs bales. The CAI estimates domestic consumption at 324 lacs bales and exports at 70 lacs bales.

## Yarns

### Global scenario

According to market research, the global yarns market was valued at US\$ 39623 million in 2016. It is expected to grow at a CAGR of 1.05% between 2016 and 2022. Asia-Pacific leads in the global textile yarn market followed by North America. Polyester and cotton yarns are the most widely used yarns according to a survey. Factors such as rise in disposable incomes, rising population and rise in the demand for clothing and home-furnishing products in Asia-Pacific are changing the consumption pattern of consumers and are the major growth drivers for the global yarn market.

Asia Pacific was the largest region in the yarn, fiber and thread manufacturing market in 2017, accounting for 73% market share. North America is the second largest region, accounting for 6% of the total market share. Eastern Europe is the smallest region, accounting for 3% of the total market share.

According to a report by Zion Market Research, growth of this market will be propelled in the North American market due to increasing investments from multinational manufacturers in the United States and Canada. Markets in the Middle East and Latin America are flourishing due to the developing apparel industry and rapid product development. Increasing urbanization and shifting consumer preferences towards comfortable and affordable clothing is raising the demand for high-value fabrics such as viscose, silk, and hemp.

Another observable trend is the rapid growth of blended fibre varieties due to a variety of features and applications of both artificial and natural yarns in the apparel and the construction industry, which has opened up new growth opportunities.

Specific characteristics of synthetic fibres such as thermal insulation and low soiling can be put to various uses such as table cloths, napkins, curtains and carpets. Besides these applications, they are also being used in newer areas such as roof insulation, geotextiles for stability of roads, walls and dams. (Source: Businesswire, Fashionatingworld, fashionnetwork, industrytoday)

### Growth drivers

- Development and expansion of the global real estate industry and increased globalization is driving the growth of the home furnishing market. This has led to an increased availability of home decor products & designs. And the growing preference of consumers for eco-friendly products has boosted the demand for blended yarns.
- Growth of the global economy and rising disposable incomes of the consumers is also a major factor contributing to the growth of the yarn sector.
- The demand for products with diverse physical and chemical properties is responsible for the growth of the global yarns market. (Source: pnewswire, globenewswire)

### Indian scenario

Yarn is a major component of the Indian textiles sector and is one of the top categories exported from the country. The main regions where India exports yarns are China, Turkey, Egypt and Brazil. India's main yarn products are cotton and cotton-blended yarn.

Shipments of cotton-yarn and man-made yarn have gone up dramatically post the implementation of GST. According to the Chairman of the Confederation of Indian Textile Industry (CITI), post the GST roll-out, there has been a rise in the import of MMF yarn, cotton fabric and MMF fabric in July and August 2017. The Chairman also said this market was largely affected by cheaper imports from China, Indonesia, Thailand and North Korea where the fabric industry is subsidized. This led to an increase in their share in the world trade.

The MMF yarn import hit USD 14.97 million in July 2017 as compared to USD 8.92 million in July 2016. The overall

import of textile yarn fabric and made-up articles stood at USD 153.9 million in October 2017 as against USD 137.31 million in October 2016.

Greater safeguards such as Rules of Origin, Yarn Forward and Fabric Forward Rules need to be applied on nations such as Bangladesh and Sri Lanka which have forward trade agreements with India to stop routing of cheaper fabrics made in China through these nations. (Source: outlookindia)

### Indian textile and apparel industry

India enjoys a distinct global advantage through strong multi-fibre and abundant raw materials (cotton, wool, silk, jute and man-made fibres). The Indian textiles industry, currently estimated at ~US\$ 120 billion, is expected to reach ~US\$ 230 billion by 2020 according to IBEF. The Indian textile industry contributes ~2% to India's GDP, 10% to its manufacturing production and 14% to the overall IIP. The Indian textiles industry is labor-intensive, employing ~100 million people directly and indirectly. (Source: IBEF)

### GST and textile industry

Central Government rolled out Goods & Services Tax (GST) from July 1, 2017. It was a revolutionary and biggest indirect tax reform after independence. It created a level playing field across the formal and informal sector and made the entire country a seamless uniform market.

However, it disrupted the textile trade. Multiple GST rates were prescribed for the textile value chain. The downstream textile industry, after spinning, is dominated by unorganized sector and they found the compliances under GST regime very cumbersome and time consuming.

Prior to GST, there was no tax on fabrics and it was the first time that the fabric manufacturers and traders were brought under the indirect tax regime and they are taking time to get used to it.

Inverted duty structure in case of synthetic textile value chain, i.e., 18% on fibre and yarn and 5% on fabrics with provision of no refund to fabric manufacturers of accumulated input tax credit has increased the cost of fabric and disturbed the trade.

The GST rate on synthetic yarn has since been reduced to 12% providing some relief to synthetic yarn manufacturers. In case of exports, there was abnormal delay of 7-8 months and more in getting IGST refunds

creating working capital shortage with exporters, which adversely impacted exports of textiles from the country.

### Cost push inflation

The industry was affected by increased crude oil costs, which had a trickle-down impact on inputs being used by the synthetic textiles sector. The result was a sharp increase in raw material costs during the year under review. The basic rate of polyester staple fibre increased from ₹80 per kilogram in July 2017 to ₹98 per kilogram towards the close of the financial year under review, translating into an increased incidence of ₹18 per kilogram on the end product that could not be completely passed on to consumers.

### Sectoral breakdown

- **Composite mills:** Relatively large-scale mills that integrate spinning, weaving and, sometimes, fabric finishing are common in other major textile-producing countries. In India, these mills account for just ~3% of output.
- **Spinning:** Largely due to deregulation beginning in the mid-1980s and availability of concessional funds under Technology Upgradation Fund Scheme (TUFS), spinning is considered the most consolidated and technically-efficient sector in India's textile industry.
- **Weaving and knitting:** India's weaving and knitting sector remains fragmented, small-scale and labor-intensive. This sector comprises ~3.9 million handlooms, ~380,000 power loom enterprises that operate ~1.7 million looms, and just 137,000 looms in the various composite mills.
- **Fabric finishing:** Fabric finishing is dominated by small-scale enterprises. Overall, ~2,300 processors are operating in India, including ~2,100 independent units and 200 units integrated with weaving or knitting.
- **Clothing:** Apparel is produced by ~77,000 small-scale units classified as domestic manufacturers, manufacturer-exporters and fabricators (sub-contractors).

### Indian textile and apparel exports

India enjoys the position of being the second-largest exporter of textile products. However, India's share of the global textiles market is a mere 5% compared with China's 40%. Apart from apparels, growth in exports is expected in

other textile made-ups and home furnishings.

Within exports, India is still highly reliant on export of textile intermediaries, indicating potential for value-addition. As per ICRA, apparel exports from India can increase ~3-3.5x if raw materials and intermediaries (currently exported) are processed into apparels. This could double cotton-based apparel exports and increase total textile exports by ~50% in value terms. (Source: Business Economics, FICCI, ICRA, IIFL)

### Indian home textiles segment

The Indian home textile is estimated at ₹17,000 crore and growing at ~9% annually. This growth can be attributed to increased households, disposable incomes, housing, office, hospitality and healthcare sectors. Only <10% of the market is organised, a huge opportunity for organised players. Low unit value realisation and a highly unorganised market structure are making Indian home textile companies export-focused. The made-ups and home textile segment possesses the capability of generating sizeable employment, strengthening the consumption of fibres, yarns and fabrics. Sizable growth in the affordable housing sector, growth in the services sector and high disposable incomes with young consumers could strengthen home textile demand.

The margins of home textiles exporters declined during the fiscal under review following a pressure on export realisations stemming from a shift in the dynamics of US retail and reduction in incentives following GST implementation. In CY17, India's market share in home textile exports to the US (sum of all products) remained flat at 33%. India's market share (in dollar terms) in cotton sheets increased 100 bps y-o-y to 50% in CY17. However, India witnessed a 100 bps y-o-y decline to 39% in terry towel exports to the US (in dollar terms).

The demand for Indian home textiles could grow at 8% as seen in the recent past, helped by exports to traditional markets and better penetration in non-traditional markets (Asia, Australia, South America and Canada).

The home decor market is being driven by the residential real estate industry, catalysed by increased home owner pride. By 2018, the home furnishings market in India is expected to grow at a CAGR of 8% to reach US\$ 5.29 billion. (Source: Fibre2fashion, HGH India, Indiaretailing, Indian Express, Technopak, Financial Express)

## Sectoral growth drivers

**Demographic dividend:** India has the world's second largest population with majority between 15 and 64 by age and half this population base comprising youth up to 25 years of age. When this population joins the workforce, their increased spending power could strengthen apparel offtake.

**Aspirational buying:** Consumer buying habits have changed significantly from need-based to aspirations-based. Consumers are moving towards branded products, especially in the fashion segment. People in Tier-II, Tier-III and Tier-IV locations are spending more on apparel, strengthening the focus on brands and retail.

**Increasing urbanisation:** Increased urban population, expansion of cities and a growing urban influence in rural areas is visible. The combined effect is putting more money in the hands of people that could enhance apparel consumption.

**Online sales:** India is experiencing a digital revolution, strengthening online retail. The Indian e-commerce market is expected to grow to US\$ 200 billion by 2026 from US\$ 38.5 billion as of 2017. Total online spending, inclusive of domestic and cross border shopping, is expected to increase by 31 per cent year-on-year to ₹8.76 trillion (US\$ 135.8 billion) by 2018.

**R&D focus:** Increased government spending on research and development is expected to drive the Indian textiles, leveraging low labor and manufacturing costs.

**Organised retail:** India's retail market is expected to grow to US\$1.1 trillion by 2020 on the back of income growth, urbanisation and attitudinal shifts. GST introduction is expected to be a major contributor to the gradual shift towards organised retail, strengthening sectoral growth.

## Financial performance

The highlights of the Company's financial performance

for the year ended March 31, 2018 is given in the Directors' Report.

## Human resources and industrial relations

The Company believes that the quality of the employees is the key to its success and is committed to equip them with skills, enabling them to seamlessly evolve with ongoing technological advancements. During the year, the Company organised training programmes in different areas such as technical skills, behavioural skills, business excellence, general management, advanced management, leadership skills, customer orientation, safety, values and code of conduct. As on 31<sup>st</sup> March 2018, the Company's employee strength stood at 15094.

## Internal control systems and their adequacy

Details of internal control systems are given in the Directors' Report.

## Cautionary statement

The management discussion and analysis report containing your Company's objectives, projections, estimates and expectation may constitute certain statements, which are forward looking within the meaning of applicable laws and regulations. The statements in this management discussion and analysis report could differ materially from those expressed or implied. Important factors that could make a difference to the Company's operation include raw material availability and prices, cyclical demand and pricing in the Company's principal markets, changes in the governmental regulations, tax regimes, forex markets, economic developments within India and the countries with which the Company conducts business and other incidental factors.

## Annexure-II to the Directors' Report

# Conservation of Energy

Disclosure of particulars with respect to Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo as required under Section 134(3)(m) of the Companies Act, 2013, read with Rule 8(3) of the Companies (Accounts) Rules, 2014.

## 1) Energy Conservation measures taken:

Conservation of energy is an essential step towards overcoming energy crisis, environmental degradation and global competitiveness.

The Company is giving due importance to conservation of energy and makes continuous efforts to conserve energy by effecting process and machinery modifications, implementation of technological advancements, development of newer methods, energy audit, proper and timely maintenance and waste heat recovery, etc., amongst others. These measures lead to savings in terms of energy, money and time.

Besides continuing the measures taken in earlier years, following additional steps were taken during the year 2017-18 with a view to reduce cost of energy and consequently, the cost of production:

### A. Spinning

**Installed:** VFD 71 for humidification plant, blow room, carding, ring frame; inverters on supply and return air fans in humidification plant and inverters on feed water pumps of fibre dying plant at a capital cost of ₹99 lacs resulting in savings of 4,064 kWh/day and about ₹79 lacs per annum.

**Replaced:** 3854 fluorescent lights with LED lights; 2 inch line with 4 inch compressed air line to reduce the pressure; 15 old motors with energy efficient motors;

12 ordinary filters with Nasa filters on Savio Polar Autoconers and flat belt with timing belt on ring frame at a capital cost of ₹46 lacs resulting in savings of 3,379 kWh/day and about ₹77 lacs per annum.

**Converted:** electrical heater to solar water heater system on 2 YCP; reduced blade angle of return air fan in mélange carding; different sizes of motor and fan pulley's changed with uniform size on waste collection system of mélange unit; automated heat recovery system in dye house and improved compressed air distribution system and optimized boiler working by increasing feed water temperature which improved the coal to steam ratio from 11.00 to 11.50 at a capital cost of ₹16 lacs resulting in savings of 1,719 kWh/day and about ₹107 lacs per annum. Various other measures taken in earlier years are continuing.

### B. Home Textiles

**Installed:** a new power saving compressor in place of three old compressors and capacitor near the compressor and motor at a capital cost of ₹6.46 lacs resulting in savings of 174 kWh/day and about ₹5 lacs per annum.

**Replaced:** florescent lights and metal halide lamps with LED lights and fluid cooling coils in place of fluid radiators in two DG sets at a capital cost of ₹20 lacs resulting in savings of 1578 kWh/day and about ₹7 lacs per annum. Various other measures taken in earlier years are continuing.

**FORM – A****(A) Power and Fuel Consumption:**

	2017-2018	2016-2017
<b>1. Electricity:</b>		
(a) Purchased:		
Units (in lacs)	4253.15	3855.00
Total Cost (₹ in lacs)	20501.32	16635.14
Rate/Unit (₹)	4.82	4.32
(b) Own Generation:		
(i) Through Diesel Generators		
Units (in lacs)	19.54	18.36
Units per liter of Diesel Oil (kWh/Ltr.)	3.54	3.47
Cost/Unit (₹)	15.50	13.95
(ii) Through Furnace Oil Generators		
Units (in lacs)	100.24	36.84
Units per litre of Furnace Oil	3.94	4.16
Cost/Unit (₹)	6.37	5.06
(iii) Through Co-generation Power Plant		
Units (in lacs)	173.26	252.05
Units per MT of Coal (including lignite)	1037.98	1040.98
Cost/Unit (₹)	6.18	5.14
<b>2. Coal</b>		
(a) Steam Coal		
Quantity (Tons)	18836.60	16620.49
Total Cost (₹ in lacs)	1242.50	839.23
Average Rate (₹) / Ton	6596.19	5049.39
(b) Pet Coke		
Quantity (Tons)	15547.90	13196.36
Total Cost (₹ in lacs)	1697.55	1317.22
Average Rate (₹) / Ton	10918.26	9981.69
<b>3. Furnace Oil</b>		
Quantity (Kilo Litres)	2543.49	886.42
Total Cost (₹ in lacs)	638.47	186.43
Average Rate (₹ Per Kilo Litre)	25102.12	21031.79

**(B) Consumption per unit of production:**

	2017-2018	2016-2017
<b>Production :</b>		
Electricity Per Ton of Yarn Production (Units) @	4372	4347
Coal per Ton of Yarn Production (Tons) #	0.233	0.162
Pet Coke per Ton of Yarn Production (Tons) #	0.184	0.191
Electricity per thousand meters of Processed fabrics (units) €	318	445
Electricity per thousand meters of Home Furnishings (units) \$	1508	847
Coal per thousand meters of processed fabrics (Tons)	0.68	0.65

@ depends on count, ply, dyed or grey etc.

# depends on quantum of dyeing.

€ depends on weight/meter of fabrics.

\$ depends on picks/meter.

## 2. Energy Conservation plan for 2018-19

### A. Spinning

Following measures are contemplated to save energy consumption during the year 2018-19:

**Install:** 84 inverters on ring frame, carding and blow room; condensate pump to increase the temperature of feed water by 5°; and RF dryer condensate pipeline to supply condensate water from RF dryer to boiler at a capital cost of ₹26 lacs which is expected to result in savings of around 975 kWh/day, 250 kgs. coal/day and about ₹20 lacs per annum.

**Replace:** CFL and HPSV lights with LED street lights; 42 old low efficiency motors with energy efficient motors; 5 electrical heaters with solar water heaters; old Elgi 310 CFM Compressor with new Energy Efficient Keaser/Elgi compressor; and 2, 11kw pumps with energy efficient boosting pump at a capital cost of about ₹62 lacs which is expected to result in savings around 1,188 kWh/day and about ₹28 lacs per annum.

**Automate:** heat recovery system in dye house; arrest compressed air leakage; modify drive from flat belt to timing belt type on 36 ring frame machines; and convert main drive from variator pulley to inverter on ring frame at a capital cost of about ₹117 lacs which is expected to result in savings of 6,932 kWh/day, 100 Kgs. coal/day and about ₹102 lacs per annum.

### 3. Impact of measures at (A) & (B) for reduction of energy consumption and consequent impact as the cost of production of goods:

The estimated savings has been given in item (A) & (B) above.

#### FORM – B

Disclosure of particulars with respect to technology absorption (to the extent possible) :

### 1. Technology Absorption

#### 1) Research and Development (R&D)

##### A) Spinning

##### a) Specific area in which R&D has been carried out by the Company

The division has well equipped, most modern and state

of the art Quality Testing & Development equipment, managed by committed team of highly qualified and experienced professionals. We have latest technology equipment's like Uster - 5 Evenness Tester, HVI Spectrum, Tenso Jet-4, Advance Fibre Information System, i.e. AFISPRO-LMNT, Classimat-5 Yarn Fault Classifying System, Online monitoring system, Lab expert system all from Uster, Auto dispenser, Beaker Dyeing machines, etc. All required tests on Fibre, Yarn and Process material are being carried out. New varieties of yarn are being developed on regular basis having different blends, shades, twists, etc. The division is also having new version of quality standard ISO 9001-2015, Usterised, Oeko-Tex and GOTS / EKO & Organic Exchange Certificate.

##### b) Benefits derived as a result of above R&D

These measures have helped in production of value added new products. Besides various studies and experiments were undertaken to save energy, improve productivity and quality, control costs, etc.

##### c) Future plan for action

The Company will continue to upgrade existing facilities by addition of new hardware and software wherever required.

### B. Home Textiles

##### a) Specific area in which R&D has been carried out by the Company

The Company has a well-equipped and state of the art design and development center with required hardware and designing software facilities for development of new designs for home textile products and furnishing fabrics.

##### b) Benefits derived as a result of above R&D

These measures have helped in production of value added new products, new design and development, consistent shade matching, reduction of reprocess and cost, etc. Besides, various studies and experiments are undertaken to save energy, improve productivity and quality, control costs, etc.

##### c) Future plan for action

The Company will continue to upgrade existing facilities by addition of new hardware and software wherever required.

## 2) Expenditure incurred towards R&D

(₹ in lacs)

	2017-18
a) Capital	148.08
b) Recurring	415.58
c) Total	563.66
d) Total R&D Expenditure as a percentage of Total Turnover	0.230%

## 2. Technology Absorption, Adaptation and Innovation

The Company is having the latest state of the art plant and machinery and has the policy of continuous modernization and upgradation of machines. For technology absorption, adoption and innovation, the following capital expenditure has been incurred:

### A. Spinning

- Incurring ₹1,836 lacs on replacement of old technology, plant machinery and equipment.
- Incurring ₹1,510 lacs on addition and modifications of existing plant and machinery.
- Incurring ₹533 lacs on purchase of machines and equipment for debottlenecking.

- Incurring ₹1,816 lacs by adding state of the art 18 knitting machines, 2 flat knitting machines and 2.2 mw solar power plant for the expansion project of Bhawanimandi unit of the Company.

### B. Home Textiles

Incurring ₹251 lacs on replacement of old technology, machinery and equipment.

## 3. Foreign Exchange Earnings & Outgo

- Activities relating to exports, initiatives taken to increase exports, development of new export markets for products and services and export plans :  
The Company has taken effective steps for exports. During the year, the Company achieved satisfactory export performances. The Company is conscious of the challenges in export market and will continue to take steps towards developing exports and will concentrate on products having higher per unit realization.
- Total foreign exchange earned and used :

(₹ in crore)

Sr. No.	Particulars	2017-18	2016-17
i)	Foreign Exchange Earned	703.62	565.41
ii)	Foreign Exchange Used	36.98	77.79

## Annexure-III to the Directors' Report

# Report on Corporate Governance

## A. CORPORATE GOVERNANCE PHILOSOPHY

Corporate governance is a systematic process driven by ethical conduct of the business and affairs of an organization aimed at promoting sustainable business and enhancing shareholder value in the long term. Corporate governance therefore, in essence, is a referral paradigm, comprising a mechanism to benchmark company's business and affairs to a combination of laws, regulations, procedures, implicit rules and good corporate practices, which ensure that a company meets its obligations with the objective to optimize shareholder value and fulfill its responsibilities to the stakeholder community, comprising of customers, employees, shareholders, government and other societal segments.

Sutlej's Governance philosophy is based on trusteeship, and for promoting and maintaining integrity, transparency and accountability, across all business practices. As a corporate citizen, our business fosters a culture of ethical behavior and disclosures aimed at building trust of all stakeholders, such as shareholders, customers, suppliers, financiers, government and the community. This philosophy is built upon a rich legacy of fair, transparent and effective governance, and led by strong emphasis on human values, individual dignity and adherence to honest, ethical and professional conduct.

The Company believes that a sound governance discipline also enables the Board to direct and control the affairs of the Company in an effective manner and maximize stakeholder value, including the society at large. We at Sutlej believe that this is an ongoing journey for sustainable value creation for all stakeholders and we continuously endeavor to improve upon our practices in line with the changing demands of the business. Sutlej adopts innovative approaches for leveraging all its resources; and encourages a spirit of conversion of opportunities into achievements. The Sutlej Code of

Business Conduct & Ethics and the Company's Code of Conduct for Prevention of Insider Trading are an extension of our values and reflect our commitment to ethical business practices, integrity and regulatory compliances. The Company's governance structures and systems are a product of self-desire, reflecting the culture of trusteeship that is deeply ingrained in our value system and strategic thought process and are the foundation which nurtures ramping up of healthy and sustainable growth through empowerment and motivation.

Keeping in view the Company's size, reach, complexity of operations and corporate tradition, the Corporate Governance framework is based on the following main principles:

- Appropriate composition and size of the Board, with each member bringing in expertise in their respective domain;
- Timely and adequate flow of information to the members of the Board and its Committees for meaningful and focused discussion at the meetings to enable them to discharge their fiduciary duties;
- Strategic supervision, monitoring and guidance by the Board of Directors which is made up of appropriate size, experience and commitment to discharge their responsibilities;
- Independent verification of Company's financial reporting from time to time and on quarterly basis;
- Timely and balanced disclosure of all material information; and disclosure of all deviations, if any, to all stakeholders and equitable and fair treatment to all the stakeholders (including employees, customers, vendors and investors);
- Sound systems and processes for internal control and risk management framework to mitigate perceived risk;

- Compliance with applicable laws, rules, regulations and guidelines with transparency and defined accountability;
- Proper business conduct by the Board members, senior management and employees.

In line with this philosophy, the Company and its Board of Directors continuously strive for excellence through adoption of best governance and disclosure practices. The Board of Directors continuously strive to play an active role in fulfilling its fiduciary obligation to shareholders by efficiently overseeing management functions to ensure their effectiveness in delivering shareholder value and societal expectations, with ethical and responsible business conduct. The governance framework ensures its effectiveness through an efficient system of timely disclosures and transparent business practices.

Your Company confirms compliance to the Corporate Governance requirements as enshrined in the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (hereinafter referred to as 'Listing Regulations'), the details of which for the financial year ended 31<sup>st</sup> March, 2018 is as set out hereunder:

## **B. BOARD OF DIRECTORS**

The Board of Directors which is a body formed to serve and protect the overall interest of all the stakeholders, provides and evaluates the strategic direction of the Company; formulates and reviews management policies and ensures their effectiveness. The Board critically evaluates strategic direction of the Company and exercises appropriate control to ensure that the business of the Company is conducted in the best interests of the shareholders and society at large. The Chief Executive Officer of the Company (designated as 'President'), manages the business of the Company under the overall superintendence, guidance and control of the Executive Chairman and the Board, with the help of a competent team and able assistance from the Deputy Chief Executive Officer, the Wholetime Director (also designated as the CFO) and the Company Secretary of the Company (also designated as the Compliance Officer).

## **COMPOSITION OF THE BOARD**

The Company has a balanced and diverse Board which includes independent professionals and conforms with the provisions of the Companies Act, 2013 (the Act) and the Listing Regulations. Your Company's Board represents an optimum combination of experience and expertise in diverse areas such as banking, finance, law, general management, administration and entrepreneurship and comprises Executive and Non-Executive Directors, including independent professionals, who play a crucial role in Board processes and provide independent judgment on issues of strategy and performance. The Company's Board of Directors presently comprises of eight Directors; six of whom are Non-executive Independent Directors (including a Woman Director) and two Executive Directors viz., Executive Chairman and Wholetime Director. The Non-executive Directors account for more than 75 per cent of the Board's strength as against the minimum requirement of 50 per cent as per the Listing Regulations. All Independent Directors are persons of eminence and bring a wide range of expertise and experience to the Board thereby ensuring best interest of stakeholders and the Company. The present strength of the Board reflects judicious mix of professionalism, competence and sound knowledge which enables the Board to provide effective leadership to the Company. None of the Directors are inter-se related to each other.

None of the Directors on the Company's Board are member of more than 10 (ten) committees and chairman of more than 5 (five) committees (being, Audit Committee and Stakeholders' Relationship Committee) across all the companies, in which he/she is a Director. All the Directors have made necessary disclosures regarding committee positions held by them in other companies and do not hold the office of Director in more than 10 (ten) public companies as on 31<sup>st</sup> March, 2018. The composition of the Board is in conformity with Regulation 17 of Listing Regulations.

## DETAILS OF DIRECTORSHIPS / COMMITTEE POSITIONS / SHARES HELD

The composition of the Board of Directors, number of shares held in the Company and number of other Directorships / Board level committee positions held by them in other Indian public companies as on 31.03.2018 is as follows:

Name of Director	Category of Director	Number of shares held in Sutej	Number of other directorships in public companies [other than Sutej]	Number of other companies' Board Committee(s) [other than Sutej]	
				Chairperson	Member
Mr. C. S. Nopany (DIN: 00014587)	ED/PG	1,10,000	9	2	0
Mr. U. K. Khaitan (DIN: 01180359)	I	Nil	7	0	2
Mr. Amit Dalal (DIN: 00297603)	I	Nil	5	0	1
Mr. Rajan Dalal (DIN: 00546264)	I	Nil	2	1	3
Mr. Rajiv K. Podar (DIN: 00086172)	I	Nil	2	0	0
Mrs. Sonu Bhasin (DIN: 02872234)	I	Nil	5	0	5
Mr. Rohit Dhoot* (DIN: 00016856)	I	Nil	4	0	1
Mr. Bipeen Valame (DIN: 07702511)	ED	Nil	0	0	0
Mr. M. H. Rahman** (DIN: 05222272)	I	N.A.	N.A.	N.A.	N.A.
Mr. Sukhvir Singh <sup>§</sup> (DIN: 06645482)	NED	N.A.	N.A.	N.A.	N.A.

ED – Executive Director; PG – Promoter Group; I – Independent; NED – Non Executive Director.

### Notes:

- i. The directorships held by the Directors, as mentioned above excludes alternate directorships, directorships in foreign companies, companies under Section 8 of the Companies Act, 2013 and private limited companies, which are not the subsidiaries of public limited companies.
- ii. Represents membership / chairmanship of two Committees viz. Audit Committee and Stakeholders' Relationship Committee as per Regulation 26 of Listing Regulations.
- iii. As on 31<sup>st</sup> March, 2018, none of the Directors of the Company were related to each other.
- iv. \* Mr. Rohit Dhoot was appointed as an additional Director on 25<sup>th</sup> October, 2017.
- v. \*\* Mr. M. H. Rahman ceased to be a Director of the Company w.e.f. 09<sup>th</sup> July, 2017 due to his demise.
- vi. <sup>§</sup> Mr. Sukhvir Singh resigned from the Board w.e.f. 25<sup>th</sup> October, 2017.

Except Mr. C. S. Nopany, none of the Directors of the Company hold any shares of the Company.

### BOARD MEMBERSHIP CRITERIA

The Nomination and Remuneration Committee works with the entire Board to determine the appropriate characteristics, skills and experience required for the Board as a whole and for individual members. Board members are expected to possess the required qualification, integrity, expertise and experience for the position. They should also possess deep expertise and insights in sectors / areas relevant to the Company and ability to contribute to Company's growth. The Board periodically evaluates the need for change in its size and composition to ensure that it remains aligned with statutory and business requirements.

### BOARD INDEPENDENCE

Our definition of 'Independence' of Directors is derived from Regulation 16(b) of the Listing Regulations and Section 149(6) of the Act. The Board comprises more than the required number of Independent Directors. Due to promulgation of Section 149 of the Act and Regulation 25 of the Listing Regulations, which came into force from 1<sup>st</sup> December, 2015, Independent Directors can be appointed for 2 fixed terms of maximum five years and they shall

not be liable to retire by rotation. Therefore, the Company has appointed the existing Independent Directors for a fixed term of five consecutive years in compliance with the aforesaid provisions. The Company has issued formal letters of appointment to all the Independent Directors as prescribed under the provisions of the Act and the terms and conditions of their appointment have been uploaded on the website of the Company. The Company has received declarations from all the Independent Directors confirming that they meet the criteria of independence as specified under Section 149(6) of the Act and that they are qualified to act as Independent Directors.

As required under the Act, the Independent Directors held a separate meeting to assess the functioning of the Board and to evaluate the performance of the Chairman and the Executive Directors.

### **FAMILIARISATION OF BOARD MEMBERS**

As an onboarding process, all new Directors inducted on the Board are taken through a familiarisation process whereby information of the Company, its various units, products and financials is shared and explained to the Director.

All new Directors inducted to the Board are introduced to the Company's culture through appropriate orientation sessions. Presentations are shared to provide an overview of the Company's operations and to familiarize the new Directors with our operations. They are also introduced to our organization structure, our products, Board procedures, matters reserved for Board and our major risk and risk management strategy. The Independent Directors, from time to time, request management to provide detailed understanding of any specific project, activity or process of the Company. The management provides such information and training either at the meeting of the Board of Directors or otherwise.

The induction process is designed to:

- a. build an understanding of Sutlej, its businesses and the markets and regulatory environment in which it operates;
- b. provide an appreciation of the role and responsibilities of the Director;
- c. fully equip Directors to perform their role on the Board effectively; and
- d. develop understanding of the Company's people and its key stakeholder relationships.

The policy is available on the website of the Company at the weblink: <http://sutlejttextiles.com/pdf/policy/FamiliarisationPrograme.pdf>

### **BOARD MEETINGS AND PROCEDURE**

The Board meets at least once in every quarter inter alia, to review the quarterly financial results, operations and other items on the agenda and minimum 4 (four) pre-scheduled Board meetings are held every year. Apart from the above, additional Board meetings are convened by giving appropriate notice to address the specific needs of the Company. In case of business exigencies or urgency of matters, resolutions are passed by way of circulation, as permitted by law, which is confirmed in the subsequent Board meeting. The meetings are held as per the requirements of business; and maximum interval between any two Board meetings is within the permissible limits.

During the year under review, seven Board meetings were held on 18<sup>th</sup> May, 2017; 19<sup>th</sup> July, 2017; 25<sup>th</sup> September, 2017; 25<sup>th</sup> October, 2017; 06<sup>th</sup> November, 2017; 08<sup>th</sup> January, 2018 and 08<sup>th</sup> February, 2018. The necessary quorum was present in all the Board meetings. Leave of absence was granted to the concerned Director who had requested for leave of absence due to their inability to attend the respective Board meeting.

The details of attendance of Directors at the Board meetings and at the last Annual General Meeting are as under:

Name of Director	Number of Board meetings held and attended during the year		Attendance at last AGM
	Held	Attended	
Mr. C. S. Nopany	8	5	No
Mr. U. K. Khaitan	8	5	No
Mr. Armit Dalal	8	7	Yes
Mr. Rajan Dalal	8	5	Yes
Mr. Rajiv K. Podar	8	6	No
Mrs. Sonu Bhasin	8	5	No
Mr. Rohit Dhoot*	8	3	N.A.
Mr M. H. Rahman **	8	1	N.A.
Mr. Sukhvir Singh <sup>§</sup>	8	1	No
Mr. Bipeen Valame	8	6	Yes

\* Mr. Rohit Dhoot was appointed as an Additional Director on 25<sup>th</sup> October, 2017.

\*\* Mr. M. H. Rahman ceased to be a Director of the Company w.e.f. 09<sup>th</sup> July, 2017 due to his demise.

§ Mr. Sukhvir Singh resigned from the Board w.e.f. 25<sup>th</sup> October, 2017.

## BOARD SUPPORT

The Company Secretary is responsible for collation, review and distribution of all papers submitted to the Board and Committees thereof for consideration. The Company Secretary is also responsible for preparation of the agenda and convening of the Board and Committee meetings. The Company Secretary attends all the meetings of the Board and its Committees except Independent Directors meeting, advises / assures the Board on compliance and governance principles and ensures appropriate recording of Minutes of the meetings.

## INFORMATION TO THE BOARD

The internal guidelines for Board / Board Committee meetings facilitate the decision making process at the meetings of the Board / Committees in an informed and efficient manner. Board meetings are governed by structured agenda. The Company Secretary in consultation with the Chairman and senior management prepares the detailed agenda for the meetings. All major agenda items are backed by comprehensive background information, notes and supporting papers containing all the vital information, to enable the Board to have focused discussion at the meeting and take informed decisions.

Agenda papers and notes on agenda are circulated to the Directors, in advance, in the defined agenda format. All material information is circulated along with agenda papers for facilitating meaningful and focused

discussions at the meeting. In case of sensitive agenda matters, or where it is not practicable to attach or circulate relevant information or document as part of the agenda papers, the same are tabled at the meeting with specific reference to this effect in the agenda. In special and exceptional circumstances, additional or supplementary item(s) on the agenda are taken up for discussion with the permission of the Chairman. In case any Directors are unable to attend the meeting physically, video conferencing / teleconferencing facilities are also made available to enable their participation. Frequent and detailed deliberation on the agenda provides the strategic roadmap for the future growth of the Company.

A detailed agenda is sent to each Director in advance of the Board meetings, covering inter alia, the required information as enumerated in Part A of Schedule II to Regulation 17(7) of the Listing Regulations, 2015. As a policy, all major decisions involving business plan, allocation and deployment of funds, investments and capital expenditure, in addition to matters which statutorily require the approval of the Board are placed before the Board for its consideration and directions.

Inter alia, the following information, as may be applicable and required, is provided to the Board as a part of the agenda papers:

- Annual operating plans and revenue budgets
- Capital expenditure budgets

- Quarterly, half yearly and annual results of the Company
- Minutes of the Audit and other Committees of the Board
- Information relating to recruitment and remuneration of senior level officers just below the Board
- Materially important legal or taxation issues
- Status of financial obligations to and by the Company
- Any significant development in human resources or industrial relations
- Details of risk exposure and steps taken by management to limit or restrain the risk
- Compliance status with any regulatory, statutory or listing agreement related requirements or in relation to any shareholder services
- Action taken report in respect of the decisions arising out of the previous meeting

The Board is also given presentation covering industry environment, project implementation, project financing and operations of the Company. Senior executives are invited to provide additional inputs at the Board meeting, as and when necessary. The members of the Board or Committees are free to suggest any item to be included in the agenda, in addition to exercising their right to bring up matters for discussion at the meeting with permission of the Chairman.

The draft minutes of each Board/Committee meetings are circulated to all Directors for their comments within 15 days of the meeting. After incorporating comments, if any, received from Directors, the Company Secretary records the minutes of each Board/Committee meeting within 30 days from conclusion of the meeting. The important decisions taken at the Board / Committee meetings are communicated to concerned departments promptly. Action taken report on the decisions taken at the meeting(s) is placed at the immediately succeeding meeting of the Board / Committee for noting by the Board / Committee.

The Board periodically reviews compliance reports of all laws applicable to the Company, as well as steps taken by the Company to rectify instances of non-compliance, if any.

#### **SEPARATE INDEPENDENT DIRECTORS' MEETING**

The Independent Directors met on 08<sup>th</sup> February, 2018 without the presence of Executive Directors or

management representatives and inter alia discussed:

- the performance of Non-Independent Directors and the Board as a whole.
- the performance of the Chairman of the Company, taking into account the views of Executive Director and Non-Executive Directors.
- the quality, quantity and timeliness of flow of information between the Company management and the Board that is necessary for the Board to effectively and reasonably perform their duties.

In addition to this meeting, interactions outside the Board meetings also take place between the Chairman and Independent Directors.

#### **BOARD EVALUATION/ PERFORMANCE EVALUATION**

In terms of the requirements of the Act and Listing Regulations, the Board has evaluated its own performance, performance of the Directors individually as well as the evaluation of the working of its Committees. A structured questionnaire was prepared after circulating the draft forms, covering various aspects of the Board's functioning such as adequacy of the composition of the Board and its committees, Board culture, execution and performance of specific duties, obligations and governance.

#### **CODE OF CONDUCT AND ETHICS**

The Company has laid down a Code of Conduct (the Code) for the entire Board of Directors and senior management to avoid a conflict of interest. The Code is derived from three inter linked fundamental principles, namely: good corporate governance, good corporate citizenship and exemplary personal conduct. The Directors and senior management have affirmed compliance with the Code for the year 2017-2018. A declaration to this effect signed by the President and CEO is attached and forms part of this report. The Code is available on the Company's website [www.sutlejtextiles.com](http://www.sutlejtextiles.com)

There were no material, financial and commercial transactions in which the senior management had a personal interest, leading to a potential conflict of interest during the year under review.

### **C. COMMITTEES OF THE BOARD**

Pursuant to Listing Regulations and provisions of the Act, the Board of Directors constituted six Committees of the Directors viz.:

- Audit Committee;
- Stakeholders' Relationship Committee;
- Nomination and Remuneration Committee;
- Corporate Social Responsibility Committee;
- Finance & Corporate Affairs Committee; and
- Risk Management Committee.

The details of these Committees are as follows:

## I. AUDIT COMMITTEE

### COMPOSITION OF AUDIT COMMITTEE

The Audit Committee comprises four Independent Directors and is headed by Mr. Rajan A. Dalal. Mr. Rajan A. Dalal, has done his B.Sc. and SME Management from IIM-Ahmedabad and is having experience in marketing of textiles and other fields like investment banking, creating dealer network in domestic and international markets, wealth management, investment in equity and debt market, capital raising, mergers and acquisitions, etc. The other members of the Committee are: Mr. Amit Dalal, Mr. Rajiv K. Podar and Mr. Rohit Dhoot.

### TERMS OF REFERENCE

The terms of reference of Audit Committee are in conformity with Section 177 of the Act and Regulation 18 of the Listing Regulations. The terms of reference inter alia are as follows:

- Oversight of Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
- Recommending to the Board, the appointment, re-appointment, remuneration and terms of appointment of auditors of the Company and, if required, their replacement or removal.
- Approve payment to statutory auditors for any other services rendered by them.
- Reviewing, with the management, the annual financial statements and auditors report thereon before submission to the Board for approval, with particular reference to:
  - a. Matters required to be included in the Director's Responsibility Statement forming part of the Board's Report in terms of Sub Section 5 of Section 134 of the Act.
  - b. Changes, if any, in accounting policies and practices, and reasons for the same.
  - c. Major accounting entries involving estimates based on the exercise of judgment by management.
  - d. Significant adjustments made in the financial statements arising out of audit findings.
  - e. Compliance with listing and other legal requirements relating to financial statements.
  - f. Disclosure of any related party transactions.
  - g. Modified opinions in the draft audit report.
- Reviewing with the management, the quarterly financial statements before submission to the Board for approval.
- Reviewing with the management, the statement of uses/application of funds raised through an issue (public issue, rights issue, preferential issue, etc.), the statement of funds utilised for purpose other than those stated in the offer document/prospectus/notice and the report submitted by the monitoring agency monitoring the utilisation of proceeds of a public or rights issue, and making appropriate recommendations to the Board to take up steps in this matter. Monitoring the end use of funds raised through public offers and related matters.
- To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non-payment of dividends) and creditors.
- Approval to appointment of Chief Financial Officer after assessing the qualifications, experience and background, etc. of the candidate.
- Reviewing and monitoring the auditor's independence and performance and effectiveness of audit process.
- Reviewing with the management, performance of statutory and internal auditors and adequacy of internal control systems.
- Reviewing the adequacy of internal audit function, including the structure of the internal audit department, if any, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit.

- Discussion with internal auditors regarding any significant findings and follow up thereon.
- Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board and Management
- Discussion with statutory auditors before the audit commences about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern including review of management discussion and analysis of financial condition and results of operations.
- Approval or any subsequent modification of transactions of the Company with related parties including review of statement of significant related party transactions submitted by the management.
- Scrutiny of inter-corporate loans and investments.
- Valuation of undertakings or assets of the Company, wherever it is necessary.
- Evaluation of internal financial controls and risk management systems.
- Establish a vigil mechanism for the Directors and employees to report their genuine concerns or grievances and provide mechanism for adequate safeguards against victimization and to review the functioning of the whistle blower mechanism.
- The appointment, removal and terms of remuneration of the chief internal auditor.
- Quarterly statement of deviation(s) including report of monitoring agency, if applicable, submitted to stock exchange(s) in terms of Regulation 32(1) of the Listing Regulations.
- Carrying out functions as delegated by the Board of Directors from time to time.

#### MEETINGS AND ATTENDANCE

During the year under review, the Audit Committee met five times on 17<sup>th</sup> May, 2017; 19<sup>th</sup> July, 2017; 25<sup>th</sup> October, 2017; 07<sup>th</sup> February, 2018 and 31<sup>st</sup> March, 2018.

The attendance of the members of the Committee was as follows:

Name of the member	Status	Category	Number of meetings attended
Mr. Rajan A. Dalal	Chairman	Independent	4
Mr. Amit Dalal	Member	Independent	5
Mr. Rajiv K. Podar	Member	Independent	2
Dr. M. H. Rahman*	Member	Independent	1
Mr. Rohit Dhoot**	Member	Independent	2

\* Mr. M. H. Rahman ceased to be a Director of the Company w.e.f. 09<sup>th</sup> July, 2017 due to his demise.

\*\* Mr. Rohit Dhoot was appointed as member of the Committee on 25<sup>th</sup> October, 2017.

The constitution of the Audit Committee meets the requirements of Section 177 of the Act. The Committee reviews various aspects of the internal audit control system and financial and risk management policies. The requirements in respect of Regulation 18 of the Listing Regulations are also reviewed by the Committee. The management makes a presentation before the Audit Committee on the observations and recommendations of the Statutory and Internal Auditors to strengthen controls and compliance. The internal auditors and statutory auditors are permanent invitees to the Committee meeting. The Company Secretary is the ex-officio Secretary of the Committee.

#### II. STAKEHOLDER'S RELATIONSHIP COMMITTEE COMPOSITION

The Stakeholders' Relationship Committee constituted as a mandatory committee of the Board, presently comprises of two Non-Executive Independent Directors and one Executive Director of the Company. The Committee is headed by Mr. Amit Dalal. The other members of the Committee are Mr. Rajiv K. Podar and Mr. Bipeen Valame.

#### TERMS OF REFERENCE

The Committee inter alia oversees the redressal of shareholder and investor complaints / requests for transfer / transmission of shares, sub-division and consolidation of share certificates, issue of duplicate share certificates, requests for dematerialisation and rematerialisation of shares, non-receipt of declared dividend and non-receipt of Annual Report. It also recommends measures for improvement in investor services. The Committee also keeps a close watch on the performance of Link Intime (India) Pvt. Ltd., the Registrar & Share Transfer Agents of the Company. The Company

Secretary designated as the Compliance Officer of the Company, acts as the Secretary of the Committee. The Committee meets as often as is necessary for resolution of important matters within its mandate. There were no investor complaints pending at the end of the financial year.

### MEETINGS AND ATTENDANCE

During the year under review the Committee met six times on 04<sup>th</sup> May, 2017; 06<sup>th</sup> July, 2017; 19<sup>th</sup> September, 2017; 10<sup>th</sup> October, 2017; 25<sup>th</sup> November, 2017 and 25<sup>th</sup> January, 2018. The attendance of the members of the Committee was as follows:

Name of the member	Status	Category	Number of meetings attended
Mr. Amit Dalal	Chairman	Independent	5
Mr. Rajiv K.Podar	Member	Independent	5
Mr. Bipeen Valame	Member	WTD	4

Minutes of the meeting of the Stakeholders' Relationship Committee are approved by the Chairman of the Committee and are noted by the Board at its next meeting.

### INVESTORS' COMPLAINTS RECEIVED AND RESOLVED DURING THE YEAR

During the year under review, the Company received 51 complaints / letters from the shareholders which were duly attended. The average period of redressal of grievances is 7 (seven) days from the date of receipt of letters / complaints. There were no unresolved complaints as on 31<sup>st</sup> March, 2018.

### III. NOMINATION & REMUNERATION COMMITTEE COMPOSITION

The Nomination and Remuneration Committee of the Company comprises of three Independent Directors, namely, Mr. U. K. Khaitan, Mr. Rajan Dalal and Mr. Rajiv K. Podar. The Committee is headed by Mr. U. K. Khaitan.

#### TERMS OF REFERENCE

The terms of reference of Nomination and Remuneration Committee are in conformity with Section 178 of the Act and Regulation 19 of the Listing Regulations. The terms of reference inter alia are as follows:

- (1) determine the compensation package of the President, Executive Presidents, Executive Directors,

Secretary and other senior management personnel.

- (2) formulate the criteria for determining qualifications, positive attributes and independence of a Director and recommend to the Board a policy relating to, the remuneration of the Directors, Key Managerial Personnel and other employees.
- (3) formulate the criteria for evaluation of performance of Independent Directors and the Board of Directors.
- (4) devise a policy on diversity of Board of Directors.
- (5) identify persons who are qualified to become Directors and who may be appointed in senior management in accordance with the criteria laid down and recommend to the Board of Directors their appointment and removal.
- (6) decide on whether to extend or continue the term of appointment of the Independent Directors, on the basis of the report of performance evaluation of Independent Directors.

### MEETINGS AND ATTENDANCE

During the year under review, there were five meetings of the Committee on 18<sup>th</sup> May, 2017; 19<sup>th</sup> July, 2017; 12<sup>th</sup> October, 2017; 25<sup>th</sup> October, 2017 and 18<sup>th</sup> January, 2018. The attendance of the members of the Committee was as follows:

Name of the member	Status	Category	Number of meetings attended
Mr. U. K. Khaitan	Chairman	Independent	4
Mr. Rajan A. Dalal	Member	Independent	5
Mr. Rajiv K. Podar	Member	Independent	3

### IV. FINANCE & CORPORATE AFFAIRS COMMITTEE COMPOSITION

The Finance & Corporate Affairs Committee (FCAC) presently comprises of two Executive Directors and three Independent Directors and is headed by Mr. C. S. Nopany, Executive Chairman of the Board. Other members of the Committee are Mr. U. K. Khaitan, Mr. Rajiv K. Podar, Mrs. Sonu Bhasin and Mr. Bipeen Valame.

#### TERMS OF REFERENCE

The Committee inter alia decides upon matters relating to Inter corporate loans / deposits, investments, opening and closing of bank accounts and various matters related thereto, in terms of the powers delegated to it by the Board

from time to time. The Committee is also empowered to approve the Unaudited Quarterly Financial results to be submitted to the Stock Exchanges as provided under Regulation 33 of the Listing Regulations.

#### MEETINGS AND ATTENDANCE

The Committee met four times on 09<sup>th</sup> August, 2017; 17<sup>th</sup> October, 2017; 08<sup>th</sup> January, 2018 and 08<sup>th</sup> February, 2018 during the year under review. The attendance of the members of the Committee was as follows:

Name of the member	Status	Category	Number of meetings attended
Mr. C. S. Nopany	Chairman	Executive Chairman	2
Mr. U. K. Khaitan	Member	Independent	3
Mr. Rajiv K. Podar	Member	Independent	3
Mrs. Sonu Bhasin	Member	Independent	3
Mr. Bipeen Valame	Member	WTD	2

Minutes of the meeting of the Finance & Corporate Affairs Committee are approved by the Chairman of the Committee and placed before the next meeting of the Board for noting and approval.

#### V. CORPORATE SOCIAL RESPONSIBILITY COMMITTEE

##### COMPOSITION

The Corporate Social Responsibility Committee (CSR) presently comprises of three Independent Directors and is headed by Mr. U. K. Khaitan. Other members of the Committee are Mr. Amit Dalal and Mrs. Sonu Bhasin.

##### TERMS OF REFERENCE

The terms of reference inter alia are as follows :

- formulate and recommend to the Board, a Corporate Social Responsibility Policy which shall indicate the activities to be undertaken by the Company as specified in Schedule VII of the Act;
- recommend the amount of expenditure to be incurred on the activities referred to in clause (a); and
- monitor the Corporate Social Responsibility policy of the Company from time to time.

##### MEETINGS AND ATTENDANCE

During the year under review, the CSR Committee met once i.e. on 18<sup>th</sup> May, 2017.

The attendance of the members of the Committee was as follows:

Name of the member	Status	Category	Number of meetings attended
Mr. U. K. Khaitan	Chairman	Independent	1
Mr. Amit Dalal	Member	Independent	1
Mrs. Sonu Bhasin	Member	Independent	1

A report on CSR activities as prescribed under the Act and Rules made thereunder is annexed to the Board Report.

#### VI. RISK MANAGEMENT COMMITTEE

A Risk Management Committee was formed and constituted by the Board of Directors on 18<sup>th</sup> May, 2017, consisting of Mr. Rajiv K. Podar, Independent Director as Chairman and Mr. S. K. Khandelia, President & CEO and Mr. Bipeen Valame, Wholetime Director & CFO as members.

Regulation 21 of the Listing Regulations with regard to the constitution of a Risk Management Committee, is however, not applicable to your Company as this regulation is applicable only to top 100 listed entities, determined on the basis of market capitalisation, as at the end of the immediate previous financial year. The Committee has been formed voluntarily as part of better Corporate Governance practice.

##### TERMS OF REFERENCE

The Committee is entrusted with the task of monitoring, reviewing and managing the risks to which the Company is exposed, preparation of Company-wide framework for risk management, fixing roles and responsibilities, communicating the risk management objective, allocating resources, drawing action plan, determining criteria for defining major and minor risks, deciding strategies for escalated major risk areas, updating company-wide risk register and preparing MIS report.

#### D. DETAILS OF REMUNERATION PAID TO DIRECTORS

The Wholetime Directors receive salaries, allowances and perquisites, while all the Non-Executive Directors receive sitting fees, allowances if applicable and annual commission within the prescribed limits as set out in the Act.

There has been no materially relevant pecuniary transaction or relationship between the Company and its Non-Executive Directors during the year.

### i) Remuneration paid to Non-Executive Directors of the Company

The Non-Executive Directors are paid sitting fees for attending each meeting of the Board of Directors and Committees thereof. They are also entitled to a fixed commission of ₹4,00,000/- per year payable proportionately to their tenure in office as Directors of the Company.

The total commission payable to all the Non-Executive Directors for the financial year 2017-18 will be ₹25,09,589/- for which provision has been made in the books of accounts. The commission shall be paid after the adoption of annual accounts of the Company for the year ended 31<sup>st</sup> March, 2018 by the shareholders at the forthcoming Annual General Meeting. The commission to all the Non-Executive Directors of the Company is determined after taking into account their valuable guidance in the various business initiatives and decisions at the Board level and also profitability of the

Company. The details of commission payable and sitting fees (including for committee meetings) paid to the Non-Executive Directors during the year 2017-2018 is as follows:

Sl. No.	Name of Director	Commission (₹)	Sitting Fees (₹)
1.	Mr. U. K. Khaitan	4,00,000	4,50,000
2.	Mr. Amit Dalal	4,00,000	6,25,000
3.	Mr Rajan A. Dalal	4,00,000	4,50,000
4.	Mr. Rajiv K.Podar	4,00,000	6,50,000
5.	Mr. Mahmoodur Rahman*	1,08,493	1,00,000
6.	Mrs. Sonu Bhasin	4,00,000	3,50,000
7.	Mr. Rohit Dhoot**	1,73,151	2,00,000
8.	Mr. Sukhvir Singh <sup>§</sup>	2,27,945	50,000
	<b>Total</b>	<b>25,09,589</b>	<b>28,75,000</b>

\* Mr. M. H. Rahman ceased to be a Director of the Company w.e.f. 09<sup>th</sup> July, 2017 due to his demise.

\*\* Mr. Rohit Dhoot was appointed as an Additional Director on 25<sup>th</sup> October, 2017.

§ Mr. Sukhvir Singh resigned from the Board w.e.f. 25<sup>th</sup> October, 2017.

### ii) Remuneration paid/payable to the Wholetime Directors of the Company for the year ended 31<sup>st</sup> March, 2018, is as under:

(₹ in lacs)

Executive Chairman and Wholetime Director	Salary etc.	Perquisites	Retirement Benefits	Sitting Fees	Total
Mr. C. S.Nopany	717.00	-	-	3.00	720.00
Mr. Bipeen Valame	85.11	13.59	-	Nil	98.70

## E. COMPANY POLICIES

### I. WHISTLE BLOWER POLICY

The Company has adopted a Whistle Blower Policy, as part of vigil mechanism to provide appropriate avenues to the Directors and employees to bring to the attention of the management any issue which is perceived to be in violation of or in conflict with the fundamental business principles of the Company. The employees are encouraged to voice their concerns by way of whistle blowing and all the employees have been given access to the Audit Committee. The Company Secretary is the designated officer / Chief Ethics Counsellor for effective implementation of the policy and dealing with the

complaints registered under the policy. All cases registered under the Whistle Blower Policy of the Company are subject to review by the Audit Committee. The Whistle Blower Policy is available on the website of the Company at the weblink: <http://sutlejtextiles.com/assets/pdf/policy/whistle-blower-policy-adopted-13-05-14.pdf>

### II. REMUNERATION POLICY

The Board on the recommendation of the Nomination and Remuneration Committee has framed a policy for selection and appointment of Directors, Senior Management Personnel and their remuneration. The Policy contains, inter-alia, criteria's for directors' appointment and remuneration including determining

qualifications, positive attributes, independence of a director, etc. The policy is available on the website of the Company at the weblink: <http://sutlejttextiles.com/assets/pdf/policy/remuneration-policy.pdf>

### **III. POLICY ON RELATED PARTY TRANSACTIONS**

In line with requirement of the Act and Listing Regulations, your Company has formulated a policy on Related Party Transactions which is also available on the Company's website at the weblink: <http://sutlejttextiles.com/assets/pdf/policy/policy-on-related-party-transactions.pdf>. The Policy intends to ensure that proper reporting, approval and disclosure processes are in place for all transactions between the Company and Related Parties.

This policy specifically deals with the review and approval of Material Related Party Transactions keeping in mind the potential or actual conflicts of interest that may arise because of entering into these transactions. All Related Party Transactions are placed before the Audit Committee for review and approval. Prior omnibus approval is obtained for Related Party Transactions on an annual basis for transactions which are of repetitive nature and / or entered in the ordinary course of business and on an arm's length basis.

### **IV. CORPORATE SOCIAL RESPONSIBILITY POLICY**

The Corporate Social Responsibility (CSR) policy is formulated in consultation with the CSR Committee and as envisaged under Section 135 of the Act and the Rules framed thereunder and is available on the Company's website at the weblink : <http://sutlejttextiles.com/assets/pdf/policy/csr-policy-2014-adopted-13-05-2014.pdf>. The CSR Policy outlines the Company's philosophy and responsibility as a corporate citizen of India and lays down the guidelines and mechanism for undertaking socially useful programmes for the welfare and sustainable development of the communities in and around the Company's area of operations and other parts of the country.

### **V. MATERIAL SUBSIDIARY POLICY**

In line with requirement of Regulation 46(2)(h) of the Listing Regulations, your Company has formulated a policy on Material Subsidiaries which is also available on the Company's website at: <http://sutlejttextiles.com/>

[assets/pdf/policy/Material%20Subsidiary%20Policy.pdf](#).

The objective of this policy is to determine the Material Subsidiaries of the Company and to provide the governance framework for such subsidiaries.

## **F. Disclosures**

### **(a) Related Party Transactions**

All related party transactions that were entered into during the financial year were on an arm's length basis and were in the ordinary course of business. All Related Party Transactions are placed before the Audit Committee. Prior omnibus approval of the Audit Committee is obtained on a yearly basis for the transactions which are repetitive in nature. The actual transactions entered into pursuant to the omnibus approval so granted are placed at quarterly meetings of the Audit Committee.

Details of related party transactions between the Company and the Promoters, Management, Directors or their relatives etc. are disclosed in the Note No. 45 of the Standalone Annual Financial Statements in compliance with the Indian Accounting Standard relating to "Related Party Disclosures". Details of all such transactions are provided to the Board at the Board Meetings, and the interested Directors neither participate in the discussion, nor vote on such matters.

There is no materially significant Related Party Transaction that may potentially conflict with the interests of the Company at large.

### **(b) Accounting treatment in preparation of financial statements**

The financial statements have been prepared to comply in all material respects with the applicable Accounting Standards notified under Section 133 and the relevant provisions of the Act and generally accepted accounting principles in India.

### **(c) Details of non-compliance with regard to the capital markets**

There has been no instance of non-compliance by your Company and no penalties or strictures have been imposed by Stock Exchanges or SEBI or any statutory authority on any matter related to capital markets during the last three years.

#### **(d) Proceeds from public issues, rights issues, preferential issues, etc.**

During the year under review, no proceeds were raised by the Company from public issues, rights issue, preferential issue, etc.

#### **(e) Insider Trading**

In order to regulate trading in securities of the Company by the Directors and Designated Employees, your Company has adopted a Code of Internal Procedures and Conduct (Insider Trading Code) framed under the SEBI (Prohibition of Insider Trading) Regulation, 1992 as amended by SEBI (Prohibition of Insider Trading) Regulation, 2015 which, inter alia, prohibits trading in shares by an 'insider' when in possession of unpublished price sensitive information. The Insider Trading Code prevents misuse of unpublished price sensitive information and it also provides for periodical disclosures and obtaining pre-clearance for trading in securities of your Company by the Directors, Designated Employees and Connected Persons of your Company.

#### **(f) Compliance with the mandatory Corporate Governance requirements as prescribed under the Listing Regulations**

The Board of Directors periodically review the compliance of all applicable laws. The Company is in full compliance with all the mandatory requirements of Corporate Governance as specified in Regulation 17 to 27 and Clauses (b) to (i) of sub-regulation (2) of Regulation 46 of the Listing Regulations.

#### **(g) Certificate on Corporate Governance**

The Company has obtained a certificate from its Statutory Auditors regarding compliance of the conditions of Corporate Governance, as stipulated in Regulation 34(3) read with Part E of Schedule V of the Listing Regulations which together with this Report on Corporate Governance is annexed to the Director's Report and shall be sent to all the shareholders of the Company and the Stock Exchanges along with the Annual Report of the Company.

#### **(h) Compliance with Discretionary Requirements**

In addition to the mandatory requirements, the Company has also adopted the following non-mandatory requirements as prescribed in Regulation 27 of the Listing Regulations:

- a. Position of the Chairman and the Chief Executive Officer are held by separate individuals.
- b. The statutory financial statements of your Company are unqualified.
- c. The quarterly results along with the press release, as approved by the Board are first submitted to the Stock Exchanges. The same are then uploaded on the website of the Company [www.sutlejtextiles.com](http://www.sutlejtextiles.com). After the announcement of the quarterly results, an earnings call is organised, where the management responds to the queries of the investors/analysts.
- d. Reporting of Internal Auditor is directly to the Audit Committee.

#### **(i) Risk Management**

As required under Regulation 17 of Listing Regulations, the Company has established a well documented and robust risk management framework. Under this framework, risks are identified across all business processes of the Company on a continuous basis. Once identified, these risks are classified as strategic risks, business risks or reporting risks. Strategic risks are those which are associated with the long term interests of the Company. Reporting risks are associated with incorrect or un-timely financial and non-financial reporting.

The Risk Management Committee and the Board of Directors review the Risk Management Strategy of the Company to ensure effectiveness of the Risk Management Policy and Procedures. The Board of Directors of the Company are regularly apprised on the key risk areas and a mitigation mechanism is recommended.

During the year, the Board has reviewed the risk assessment and risk minimization procedures and mitigation measures commensurate to the risks have been adopted and are in place.

#### **(j) Corporate Ethics**

As a responsible corporate citizen, the Company consciously follows corporate ethics in business and corporate interactions. The Company has framed codes and policies providing guidance for carrying business in an ethical manner. Some of these policies are:

- a) Code for Prevention of Insider Trading;
- b) Code of Conduct;

- c) Whistle Blower policy;
- d) Code for Corporate Disclosure; and
- e) Safety, Health and Environment policy in each of the units.

In conformity with the recent statutory changes, the codes have been revised accordingly.

#### **(k) Chief Executive Officer (CEO) and Chief Financial Officer (CFO) Certification**

As per the requirement of Regulation 17(8) of Listing Regulations, a certificate duly signed by CEO and CFO of the Company, regarding the financial statements for the year ended 31<sup>st</sup> March, 2018, was placed at the Board meeting of the Company held on 11<sup>th</sup> May, 2018.

#### **G. UNPAID / UNCLAIMED DIVIDENDS**

As per Sections 124 and 125 of Act and Investor Education and Protection Fund (Accounting, Audit, Transfer and Refund) Rules, shares pertaining to shareholders who have not encashed / claimed dividends for seven consecutive years from the date of declaration were required to be transferred to the demat account of the Investor Education and Protection Fund (IEPF) Authority. The shareholders whose dividend / shares are transferred to the IEPF Authority can claim their dividend / shares from the Authority.

In accordance with the new IEPF Rules, the Company had sent notice to all shareholders whose shares are due to be transferred to the IEPF Authority and published requisite advertisement in the newspaper prior to transfer of the shares pertaining to such shareholders of the Company who have not en-cashed / claimed dividends for seven consecutive years to the demat account of the IEPF Authority.

The Company has uploaded the details of unpaid and unclaimed amounts lying with the Company as on 31<sup>st</sup> August, 2017 and the list of shareholders whose shares have been transferred to the IEPF Authority on the Company's website [www.sutlejtextiles.com](http://www.sutlejtextiles.com)

#### **H. SHAREHOLDER INFORMATION**

##### **(i) Means of communication**

In accordance with Regulation 46 of the Listing Regulations, the Company has maintained a functional website at [www.sutlejtextiles.com](http://www.sutlejtextiles.com) containing information about the Company viz. the details of its business, financial information, shareholding pattern, compliance with corporate governance, contact information of the designated officials of the Company who are responsible for assisting and handling investor grievances etc. The contents of the said website are updated from time to time.

The quarterly and annual audited financial results of the Company are sent to the Stock Exchanges immediately after they are approved by the Board. The results are normally published in Business Standard in English and Rajasthan Patrika / Dainik Bhaskar in Hindi in terms of Regulation 47 of the Listing Regulations.

The Company organizes/participates in press meets / Analyst's meets to apprise and make public the information relating to the Company's working and future outlook.

The results are hosted on the website of the Company - [www.sutlejtextiles.com](http://www.sutlejtextiles.com)

A Management Discussion and Analysis Report forms part of this Annual Report.

Further, the Company disseminates to the stock exchanges i.e. BSE Limited and National Stock Exchange of India Limited wherein the equity shares of the Company are listed, all mandatory information and price sensitive / such other information which in its opinion are material and / or have a bearing on its performance / operations and issues press releases wherever necessary for the information of the public at large. For the benefit of the shareholders a separate email id has been created for shareholder correspondence viz. [stil.investor\\_grievance@sutlejtextiles.com](mailto:stil.investor_grievance@sutlejtextiles.com).

## (ii) General Body Meetings of the Company

Details of the last three Annual General Meetings of the Company are as under:

AGM	Financial Year	Date	Time	Venue	Special business/s, if any, passed
12 <sup>th</sup>	2016-17	August 31, 2017	3.00 p.m.	Registered Office: Pachpahar Road Bhawanimandi (Raj)	<ol style="list-style-type: none"> <li>1. Ratification of Remuneration paid to M/s. K. G. Goyal &amp; Associates, Cost Auditor.</li> <li>2. Appointment of Mr. Sukhvir Singh as Director.</li> <li>3. Appointment of Mr. Bipeen Valame as Director.</li> <li>4. Appointment of Mr. Bipeen Valame as Wholetime Director.</li> <li>5. Approve sub-division of equity shares of the Company.</li> <li>6. Alter Clause V of the Memorandum of Association of the Company.</li> <li>7. Raise funds through private placements (NCDs) under Section 42 &amp; 71 of the Act.</li> <li>8. Maintenance of Register of Members and Related Books at a place other than the Registered Office of the Company.</li> </ol>
11 <sup>th</sup>	2015-16	August 27, 2016	3.00 p.m.	Registered Office: Pachpahar Road Bhawanimandi (Raj)	<ol style="list-style-type: none"> <li>1. Ratification of Remuneration paid to M/s. K. G. Goyal &amp; Associates, Cost Auditor.</li> <li>2. Approval for Commission payable to Directors.</li> <li>3. Borrow and raise for and on behalf of the Company, a sum not exceeding ₹2,500 crore in aggregate.</li> <li>4. Raise financial resource through issue of securities for long term requirement of the Company.</li> </ol>
10 <sup>th</sup>	2014-15	August 31, 2015	3.00 p.m.	Registered Office: Pachpahar Road Bhawanimandi (Raj)	<ol style="list-style-type: none"> <li>1. Appointment of Mrs. Sonu Bhasin as an Independent Director.</li> <li>2. Ratification of remuneration paid to M/s. K. G. Goyal &amp; Associates, Cost Auditor.</li> <li>3. Approval of Purchase / Acquisition of Birla Textile Mills from Chambal Fertilisers and Chemicals Ltd., a related party with reference to the Company.</li> <li>4. Appointment of M/s. S. R. Batliboi &amp; Co., as Branch Auditors for Birla Textile Mills (BTM) and fixing their remuneration.</li> <li>5. Appointment of Mr. C. S. Nopany from Non-Executive Chairman to Executive Chairman of the Company.</li> <li>6. Raise financial resource through issue of securities for long term requirement of the Company.</li> </ol>

The 13<sup>th</sup> Annual General Meeting of the Company is proposed to be held on 31<sup>st</sup> August, 2018 at 3.00 p.m. at the Registered Office of the Company.

### Postal Ballot:

During the financial year 2017-2018, no Postal Ballot activity was conducted by the Company.

### (iii) Details of unclaimed shares in terms of Regulation 39 of Listing Regulations

Regulation 39(4) of the Listing Regulations read with Schedule VI "Manner of dealing with Unclaimed Shares", which came into effect from December 1, 2015, has directed companies to dematerialize such shares which have been returned as "Undelivered" by the postal authorities and hold these shares in an "Unclaimed Suspense Account" to be opened with either one of the Depositories viz. NSDL or CDSL.

All corporate benefits on such shares viz. bonus, dividends, etc. shall be credited to the unclaimed suspense account as applicable for a period of seven years and will thereafter be transferred in accordance with the provisions of Investor Education and Protection Fund Authority (Accounting, Audit, Transfer, and Refund) Rules, 2016 (IEPF Rules) read with Section 124(6) of the Act.

The Company has not transferred any shares in the Unclaimed Suspense account during the year under review.

### (iv) General Shareholders' information

#### (a) 13<sup>th</sup> Annual General Meeting:

Date	31 <sup>st</sup> August, 2018
Day	Friday
Time	3.00 p.m.
Venue	At Registered Office Pachpahar Road, Bhawanimandi 326 502 (Raj.)

#### (b) Last date for receipt of Proxies

Wednesday, 29<sup>th</sup> August, 2018 (before 3.00 p.m. at the Registered Office of the Company).

#### (c) Book closure

The register of members and share transfer books of the Company shall remain closed from Saturday 25<sup>th</sup> August, 2018 to Friday 31<sup>st</sup> August, 2018 (both days inclusive).

#### (d) Tentative financial calendar:

Next financial year	1 <sup>st</sup> April, 2018 to 31 <sup>st</sup> March, 2019
First Quarter Results & Limited Review	mid August, 2018
Second Quarter Results & Limited Review	mid November, 2018
Third Quarter Results & Limited Review	mid February, 2019
Audited Annual Results (2018-19)	end May, 2019

#### (v) Dividend

Payment date (tentative): on or after 05<sup>th</sup> September, 2018.

The Board of Directors at their meeting held on 11<sup>th</sup> May, 2018, have recommended a Dividend of ₹1.30 per share for the year ended 31<sup>st</sup> March, 2018, subject to shareholders' approval at the forthcoming 13<sup>th</sup> Annual General Meeting. If approved, the dividend will be paid to the shareholders on or after 05<sup>th</sup> September, 2018 but within 30 working days from the date of Annual General Meeting. The Company will continue to use NECS/ECS or any other electronic mode for payment of dividend to the shareholders located in places where in such facilities/system is in existence.

#### (vi) Listing on Stock Exchanges and stock codes:

The names of the Stock Exchanges on which the Company's equity shares are listed with the respective stock codes are as under:

Sl. No.	Name of the Stock Exchange	Stock Code
1.	BSE Ltd.	532782
2.	National Stock Exchange of India Ltd.	SUTLEJTEX

Listing fees for the year 2017-18 have been paid to the Stock Exchanges within the stipulated time.

#### (vii) Corporate Identification Number

Corporate Identification Number of the Company allotted by the Ministry of Corporate Affairs, Government of India is L17124RJ2005PLC020927.

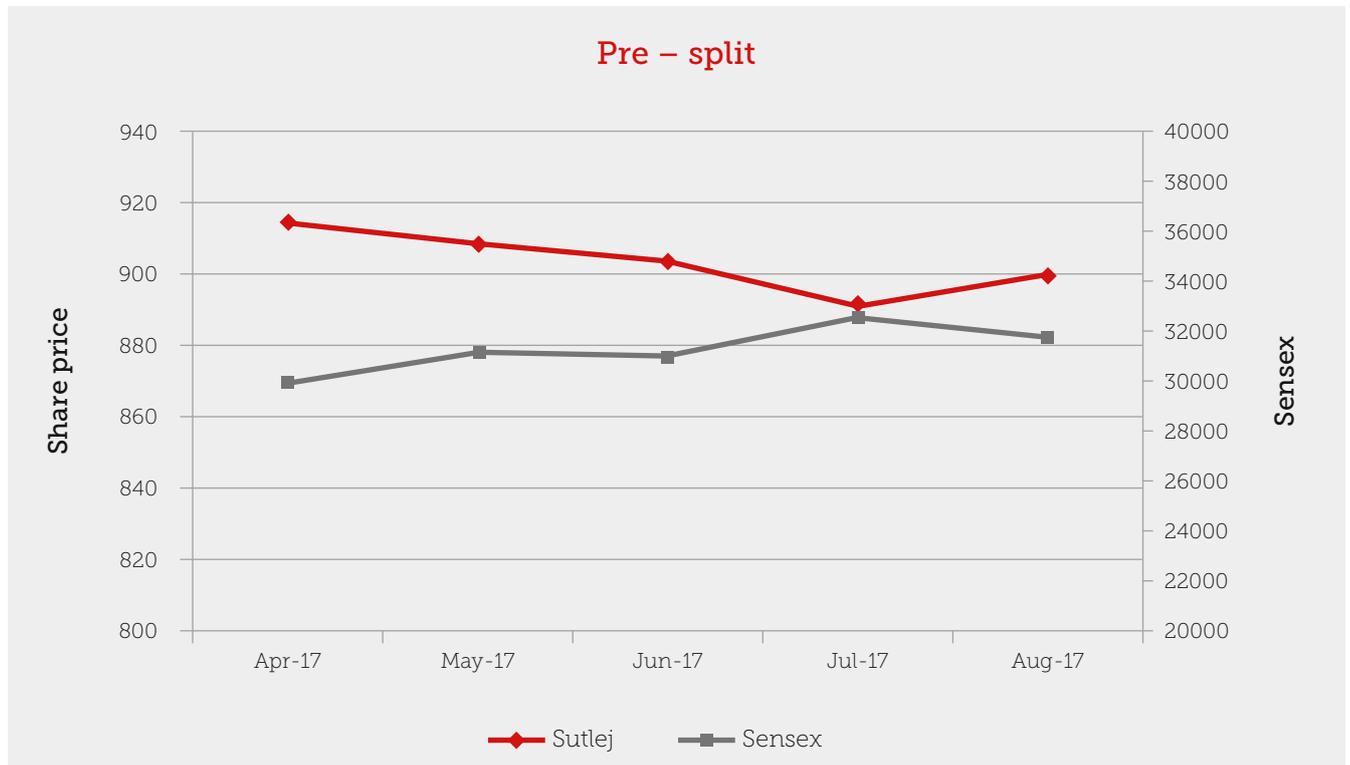
### (viii) Market price data

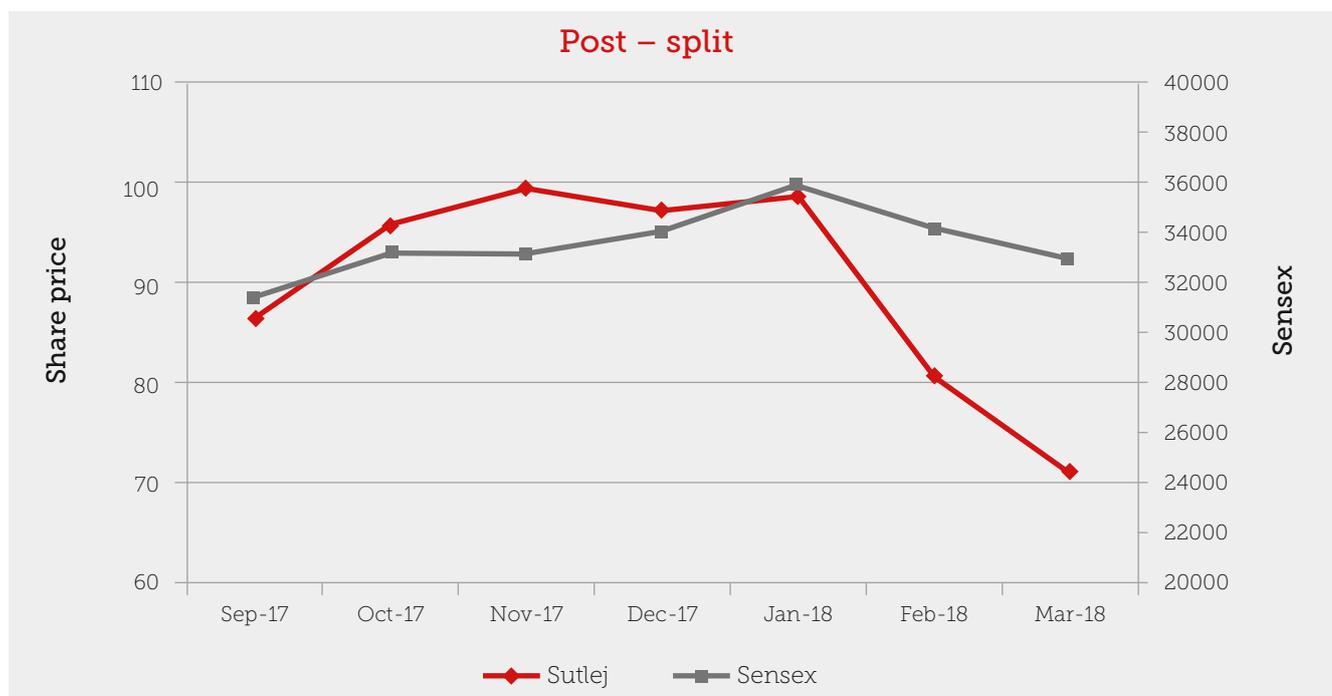
High/low market price of the Company's equity shares traded on stock exchanges where the shares are listed during the last financial year are as follows:

Month	BSE Limited		National Stock Exchange of India Limited	
	High	Low	High	Low
April, 2017 *	956.00	811.00	949.90	810.00
May, 2017*	948.00	854.65	950.00	852.30
June, 2017*	964.90	861.50	964.70	865.05
July, 2017*	988.00	844.00	988.00	860.50
August, 2017*	900.00	775.00	904.00	727.70
September, 2017*	948.85	86.05	954.00	85.30
October, 2017**	97.85	82.45	97.50	82.50
November, 2017**	109.55	94.50	120.00	94.25
December, 2017**	104.50	91.55	103.50	89.35
January, 2018**	115.00	94.00	115.00	95.95
February, 2018**	101.00	79.50	101.00	79.60
March, 2018**	83.80	69.00	83.55	68.45

\* Face value of ₹10/- each

\*\* Face value of ₹1/- each pursuant to sub division of shares



**(ix) Distribution of shareholding:**

The distribution of shareholding as on 31<sup>st</sup> March, 2018 was as follows:

Sl. No.	Number of equity shares	Number of shareholders	% of total shareholders	Number of shares held	% of total shares
1.	Up to 1000	9545	79.37	2399640	1.46
2.	1001 to 5000	1734	14.42	4033754	2.46
3.	5001 to 10000	363	3.02	2660918	1.62
4.	10001 to 50000	286	2.38	6261049	3.82
5.	50001 to 100000	42	0.35	2849033	1.74
6.	100001 to 1000000	38	0.32	11163766	6.81
7.	1000001 to 5000000	10	0.08	17795930	10.86
8.	5000001 and above	8	0.07	116664530	71.21
	<b>TOTAL</b>	<b>12026</b>	<b>100</b>	<b>163828620</b>	<b>100</b>

**(x) Details of shareholding as on 31<sup>st</sup> March, 2018 was as under:**

Sl. No.	Category	Number of folios	% of Folios	Number of shares held	% of shareholding
1.	Promoters	14	0.12	104678510	63.90
2.	Institutions/Banks/ Insurance	18	0.15	2099484	1.28
3.	Private corporate bodies/ Associates	637	5.43	32429756	19.79
4.	Indian Public	10726	91.51	23283993	14.21
5.	NRI, Foreign Nationals and OCBs	325	2.77	736397	0.45
6.	Central Government / State Government(s)	1	0.008	600480	0.37
	<b>TOTAL</b>	<b>11721</b>	<b>100</b>	<b>163828620</b>	<b>100</b>

**(xi) Dematerialisation of shares and liquidity:**

The equity shares of the Company are listed on the BSE Limited and National Stock Exchange of India Limited. The Company has an agreement with National Securities Depository Ltd. and Central Depository Services (India) Ltd. for providing depository services for holding the shares in dematerialised mode. As a result, as on 31<sup>st</sup> March, 2018, 97.79% of the total equity share capital of the Company was held in dematerialised form. The Company has paid the requisite fees to all these authorities for the year 2017-18.

**(xii) Share transfer system**

To expedite share transfer, authority has been delegated to the Stakeholders Relationship Committee of the Board. The Committee considers requests for transfers, transmission, issue of duplicate certificates, issue of certificates on split / consolidation / renewal, etc. and the same are processed and delivered within 15 days of lodgment, if the documents are complete in all respects. In compliance with the Listing Regulations, every six months, the share transfer system is audited by a Company Secretary in practice and a certificate to that effect is issued by him. The Secretary of the Company has also been authorised to approve the transfer of shares to expedite registration of valid transfers.

**(xiii) Address for Shareholders' Correspondence**

Shareholders are requested to correspond with the Registrar and Share Transfer Agent at the below given address on all matters relating to transfers, dematerialization of shares, payment of dividend and any other query relating to the equity shares of the Company.

**(xiv) Registrar and Share Transfer Agent**

The Company has appointed Link Intime India Private Limited, as Registrar & Share Transfer Agent (RTA) of the Company from 1<sup>st</sup> April, 2016 for handling share registry (physical and electronic modes). Accordingly, all correspondence, requests for transfer, transmission, demat / remat and other communication in relation thereto should be mailed / hand delivered to the said RTA directly at the following address:

**M/s. Link Intime India Pvt.Ltd.**

C-101, 1<sup>st</sup> Floor, 247 Park,  
Lal Bahadur Shastri Marg,  
Vikhroli West,  
Mumbai 400083.  
Tel. 022-49186000 / 022-49186270  
Fax: 022-49186060  
Email Id: rmt.helpdesk@linkintime.co.in

**(xv) Compliance Officer's Details:**

Mr. Manoj Contractor  
Company Secretary & Compliance Officer  
seated at Mumbai office at:  
E Wing, 6<sup>th</sup> Floor, Lotus Corporate Park,  
Graham Firth Street, Jay Coach, Goregaon (East),  
Mumbai - 400 063.  
Tel : 022-4219 8800  
Fax : 022-4219 8830/31  
E-mail ID: manojcontractor@sutlejtextiles.com

**(xvi) Investor Relations:**

In order to facilitate investor servicing, the Company has designated an e-mail id - stil.investor\_grievance@sutlejtextiles.com mainly for registering complaints by investors.

## I. COMPLIANCE

### (i) Statutory Compliance, Penalties and Strictures

The Company has continued to comply with the requirements of the Stock Exchanges, SEBI, and other statutory authorities on all matters relating to the capital market during the last three years. There were no cases of penalties or strictures imposed on the Company by any Stock Exchange or SEBI or any other statutory authorities for any violation related to the capital market during the last three years, except as under:

SR NO	NATURE OF LITIGATION (EXAMPLE CIVIL, CRIMINAL, TAX, ETC)	NAME OF PARTIES	FORUM	FACTS	AMOUNT INVOLVED	REMARKS
1.	Violation of -SEBI Act 1992 -SEBI (Prohibition of Insider Trading Act) Regulations 1992	Against the Company by SEBI.  [Enquiry Notice No. EFD/ DRA-I/VK/ PP/21555/2015 dated 14.07.2015]	SEBI	A Show Cause Notice dated 14.07.2015 was received by the Company on 05.08.2015 from SEBI indicating its intention to launch adjudication proceedings against the Company under 15(A)(b) of the SEBI Act for violations of :  -Securities and Exchange Board of India Act 1992 (SEBI Act) & -SEBI (Prohibition of Insider Trading Act) Regulations 1992, unless Company preferred a settlement .  During a hearing, the Company proposed a settlement as per the SEBI guidelines, and offered ₹5,39,750/- towards settlement of the matter after filing application for consent terms following the prescribed procedure. Securities and Exchange Board of India (SEBI) has passed a "Settlement Order" on December 20, 2016 (Application No. 3032 of 2016), under which, the Company has deposited the stated amount of ₹5,39,750 towards the Settlement. The order does not have any material impact on operations/financial position of the Company.	-	Securities and Exchange Board of India (SEBI) has passed a "Settlement Order" on December 20, 2016 (Application No. 3032 of 2016) upon deposited of ₹5,39,750/- by the Company.
2.	Notice received from the Rajasthan Pollution Control Board	Against the Company by Rajasthan Pollution Control Board.	Rajasthan Pollution Control Board	Rajasthan Pollution Control Board, Rajasthan, issued notice regarding Environmental pollution issue at the dyeing plant of Rajasthan Textiles Mills, Bhawanimandi, Rajasthan.	-	As per the directions of the Board, the Company has carried out necessary improvements and also conducted the environmental audit of the said Unit. The Dyeing plant has commenced its operation after full compliance.

### (ii) Outstanding GDRs / ADRs / Warrants or any convertible instruments, conversion date and likely impact on equity

As on date there are no outstanding warrants or any convertible instruments. The Company has not issued GDRs / ADRs.

### (iii) Disclosure under Regulation 30 of the Listing Regulations regarding certain agreements with the media companies

Pursuant to the requirement of Regulation 30 of the Listing Regulations, the Company would like to inform that no agreement(s) have been entered into with media companies and / or their associates which has resulted in / will result in any kind of shareholding in the Company and consequently any other related disclosures viz. details

of nominee(s) of the media companies on the Board of the Company, any management control or potential conflict of interest arising out of such agreements, etc. are not applicable. Nor has the Company entered into any other back to back treaties/contracts/agreements/ MoUs or similar instruments with media companies and / or their associates.

## J. INVESTOR SAFEGUARDS AND OTHER INFORMATION

### (i) Dematerialization of Shares

Shareholders are requested to convert their physical holdings to demat/electronic form through any of the registered Depository Participants (DPs) to avoid the hassles involved in dealing in physical shares such as

possibility of loss, mutilation, etc. and also to ensure safe and speedy transaction in respect of the shares held.

### **(ii) National Electronic Clearing Services (NECS)/ Electronic Clearing Services (ECS) mandate**

NECS / ECS facility ensures timely remittance of dividend without possibility of loss/delay in postal transit. Shareholders holding shares in electronic form may register their NECS / ECS details with the respective DPs and shareholders holding shares in physical form may register their NECS/ECS details with Registrar and Share

Transfer Agents to receive dividends, if declared, via the NECS/ECS mode.

### **(iii) Timely Encashment of Dividends**

In respect of the shareholders who have either not opted for NECS/ECS mandate or do not have such a facility with their banker, are requested to encash dividends promptly to avoid the inconvenience of writing to Company's Share Transfer Agents thereafter for revalidation of dividend warrants.

### **(iv) Transfer of unclaimed dividend to Investor Education and Protection Fund (IEPF)**

Under the Act, dividends which remain unclaimed for a period of seven years are required to be transferred to Investor Education and Protection Fund (IEPF) administered by the Central Government. Dates of declaration of dividends since 2010-2011 and the corresponding dates when unclaimed dividends are due to be transferred to the Central Government, are given in the table below:

Financial Year ended	Date of Declaration of Dividend	Amount remaining unclaimed/unpaid as on 31.03.2018 (₹)	Last date for claiming unpaid Dividend amount (on or before)	Last date for transfer to IEPF
31.03.2011	06.08.2011	14,44,747.50	12.09.2018	12.10.2018
31.03.2012	11.08.2012	9,53,295.00	17.09.2019	17.10.2019
31.03.2013	10.08.2013	8,61,080.00	16.09.2020	16.10.2020
31.03.2014	23.08.2014	22,36,368.00	29.09.2021	29.10.2021
31.03.2015	31.08.2015	20,02,910.00	07.10.2022	06.11.2022
31.03.2016	27.08.2016	20,90,920.00	03.10.2023	02.11.2023
31.03.2017	31.08.2017	24,03,323.00	07.10.2024	06.11.2024

Members are once again requested to utilize this opportunity and get in touch with Company's Registrar and Share Transfer Agent Link Intime India Pvt. Ltd. at their communication address for encashing the unclaimed dividends standing to the credit of their account.

Members are further requested to note that after completion of 7 years, no claims shall lie against the Company for the amounts of dividend so transferred, nor shall any payment be made in respect of such claim by the Company. Those shareholders whose dividends are transferred to IEPF authority can claim their dividend from the concerned Authority in the prescribed manner.

### **(v) Update Address/Bank Details**

To receive all communications / corporate actions promptly, shareholders holding shares in dematerialised form are requested to please update their address / bank details with the respective DPs and in case of physical

shares, the update details have to be intimated to the Registrar and Share Transfer Agents.

### **(vi) Consolidate Multiple Holdings (in respect of physical holdings)**

Members are requested to consolidate their shareholdings under multiple folios to eliminate receipt of multiple communications and this would ensure that future correspondence / corporate benefits could be sent to consolidated folio.

### **(vii) Registered email address**

The Ministry of Corporate Affairs has taken steps to encourage a 'Green Initiative in Corporate Governance' by issuing various circulars whereby companies are permitted to send Notice / documents including Annual Report in electronic mode (hereinafter 'documents'), provided the Company has obtained email address of its

members for sending these documents through email by giving an advance opportunity to every shareholder to register their email addresses and changes therein from time to time with the Company.

Accordingly, shareholders holding shares in physical form are requested to register their email addresses and changes therein from time to time, by directly sending the relevant email addresses along with the details such as name, address, folio no., no. of shares held to the Registrar and Share Transfer Agent, Link Intime India Pvt. Ltd.

In respect of shares held in electronic form, the email address along with DP ID/Client ID and other shareholder details as mentioned above should be registered by the shareholders with their respective Depository Participants. Upon registration of the email address, the Company proposes to send notices and documents, in electronic form to such shareholders.

**(viii) Addresses for correspondence:**

**Sutlej Textiles and Industries Limited**

Pachpahar Road

Bhawanimandi-326 502 (Rajasthan)

Telephone: 07433-222052/222082/222090

Fax: 07433-222354

E-mail: stil.investor\_grievance@sulejtextiles.com.

**M/s. Link Intime India Pvt.Ltd.**

C-101, 1<sup>st</sup> Floor, 247 Park,

Lal Bahadur Shastri Marg,

Vikhroli West,

Mumbai 400083

Tel. 022-49186000 / 270

Fax: 022- 49186060

E-mail: rnt.helpdesk@linkintime.co.in

**(ix) Location of the Plants:**

Units	Location	Products
Chenab Textile Mills	Kathua 184 102 (Jammu & Kashmir)	Cotton yarn and Manmade fibre yarn
Rajasthan Textile Mills	Pachpahar Road, Bhawanimandi, 326 502 (Rajasthan)	Cotton yarn and Manmade fibre yarn
Birla Textile Mills	Baddi, Solan, Himachal Pradesh 173 205	Cotton yarn and Manmade fibre yarn
Damanganga Home Textiles	Village Daheli, Near Bhilad, Umbergaon, District: Valsad (Gujarat) 396 105	Home textiles furnishing

**DECLARATION BY THE CHIEF EXECUTIVE OFFICER UNDER  
REGULATION 26 OF THE LISTING REGULATIONS**

To,  
The Members of  
**Sutlej Textiles and Industries Limited**

I hereby confirm that all the members of the Board and Senior Management personnel of the Company have affirmed due observance of the Code of Conduct in so far as it is applicable to them and there is no non-compliance thereof during the year ended 31<sup>st</sup> March, 2018.

Place: Mumbai  
Date: 26<sup>th</sup> April, 2018

Sd/-  
**S.K.Khandelia**  
President & CEO

## CEO & CFO CERTIFICATE

[As required under Regulation 17(8) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015]

Date: 03.05.2018

To  
The Board of Directors,  
**Sutlej Textiles and Industries Limited**  
Bhawanimandi – 326502, Rajasthan

We hereby certify to the Board that:

- (a) We have reviewed the financial statements and the cash flow statement for the financial year ended 31<sup>st</sup> March, 2018 and that to the best of our knowledge and belief:
  - (i) these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
  - (ii) these statements together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.
- (b) There are, to the best of our knowledge and belief, no transactions entered into by the Company during the year which are fraudulent, illegal or violative of the Company's Code of Conduct.
- (c) We accept responsibility for establishing and maintaining internal controls for financial reporting and we have evaluated the effectiveness of internal control systems of the Company pertaining to financial reporting and we have disclosed to the Auditors and the Audit Committee, deficiencies in the design or operation of such internal controls, if any, of which we are aware and the steps taken or proposed to be taken to rectify these deficiencies.
- (d) We have indicated to the Auditors and the Audit Committee:
  - (i) significant changes, if any, in internal control over financial reporting during the year;
  - (ii) significant changes, if any, in accounting policies during the year and that the same have been disclosed in the notes to the financial statements; and
  - (iii) instances of significant fraud of which we have become aware and the involvement therein, if any, of the management or an employee having a significant role in the Company's internal control system over financial reporting.

**For Sutlej Textiles and Industries Limited**

Sd/-  
**(S.K.Khandelia)**  
President & Chief Executive Officer

**For Sutlej Textiles and Industries Limited**

Sd/-  
**(Bipeen Valame)**  
Wholetime Director & Chief Financial Officer

## Auditor's Certificate on Corporate Governance

To  
The Members of  
**Sutlej Textiles and Industries Limited**

We have examined the compliance of conditions of Corporate Governance by Sutlej Textiles and Industries Limited ('the Company'), for the year ended 31 March 2018, as per regulations 17-27, clauses (b) to (i) of regulation 46(2) and paragraphs C, D and E of Schedule V of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ('Listing Regulations').

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

We have conducted our examination in accordance with the Guidance Note on Report or Certificates for Special Purposes (Revised 2016) issued by the Institute of Chartered Accountants of India. The Guidance Note requires that we comply with the ethical requirements of the Code of Ethics issued by the Institute of Chartered Accountants of India. We have complied with the relevant applicable requirements of the Standard on Quality Control (SQC) 1, Quality Control for Firms that perform Audits and Review of Historical Financial Information, and other Assurance and Related Service Engagements.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as specified in Regulations 17 to 27, clauses (b) to (i) of sub-regulation (2) of regulation 46 and paragraph C, D and E of Schedule V of the Listing Regulations.

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

### Restrictions on Use

This Certificate is issued solely for the purpose of complying with the aforesaid Regulations and may not be suitable for any other purpose.

**For BSR & Co. LLP**

Chartered Accountants

Firm registration number: 101248W/W-100022

**Rajiv Goyal**

Partner

Membership No: 94549

Place: Gurugram

Dated: 11<sup>th</sup> May, 2018

## Annexure-IV to the Directors' Report

# Annual Report on CSR activities to be included in the Board's Report

1. A brief outline of the Company's CSR policy, including overview of projects or programs proposed to be undertaken and a reference to the web-link to the CSR policy and projects or programs.

The CSR initiatives of the Company are undertaken with people at the core of all our activities. The focus areas identified by the Company for its CSR activities are education, development of rural infrastructure, conservation of environment, health & sanitation and promotion of sports and cultural activities.

The Company is committed to building a sustainable enterprise for the benefit of its present and future generation of stakeholders. The Company shall integrate and follow responsible practices in its business strategies and operations, to manage the three challenges – economic prosperity, social development and environmental integrity.

The Company has framed a CSR policy in compliance with the provisions of the Companies Act, 2013 and is placed on the website of the Company and the web link for the same is : <http://sutlejtextiles.com/pdf/policy/SUTLEJ-CSR-Policy-2014-Adopted-13.05.2014.pdf>

2. The composition of the CSR Committee:
  - (i) Mr. U.K.Khaitan Chairman
  - (ii) Mrs. Sonu Bhasin Member
  - (iii) Mr. Amit Dalal Member
3. Average net profit of the Company for the last three financial years: **₹16,939 lacs.**
4. Prescribed CSR Expenditure (2 percent of the amount as in item 3 above): **₹339 lacs.**
5. Details of CSR spend during the financial year.
  - (a) Total amount to be spent for the financial year: **₹339 lacs.**
  - (b) Total amount spent during the financial year: **₹621.69 lacs.**
  - (c) Amount unspent, if any: **NIL**
  - (d) Manner in which the amount spent during the financial year is detailed below:

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Sr. No	CSR project or activity identified	Sector in which the Project is covered	Projects or programs (1) Local Area or other (2) Specify the State and district where projects or programs was undertaken	Amount outlay (budget) project program wise (₹ in lacs)	Amount spent on the projects or programs Sub-subheads (1) Direct expenditure on projects or programs Overheads: (₹ in lacs)	Cumulative expenditure upto the reporting period (₹ in lacs)	Amount spent: Direct or through implementing agency (₹ in lacs)
1.	Contribution made towards Mukhya Mantri Jal Swavalamban Abhiyan for providing safe drinking water	Water conservation / safe drinking water	Jaipur (Raj.)	-	500.00	500.00	Direct

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Sr. No	CSR project or activity identified	Sector in which the Project is covered	Projects or programs (1) Local Area or other (2) Specify the State and district where projects or programs was undertaken	Amount outlay (budget) project program wise (₹ in lacs)	Amount spent on the projects or programs Sub-subheads (1) Direct expenditure on projects or programs Overheads: (₹ in lacs)	Cumulative expenditure upto the reporting period (₹ in lacs)	Amount spent: Direct or through implementing agency (₹ in lacs)
2.	Construction of Anicut	Water conservation / safe drinking water	Gram Bhadka (M.P.)	-	29.93	529.93	Direct
3.	Renovation of cremation ground	Promotion of Social activities	Chakki Bank, Pathankot (J&K)	-	2.80	532.73	Direct
4.	Renovation of cremation ground	Promotion of Social activities	Bhilad (Guj.)	5.00	5.00	537.73	Direct
5.	Construction of two passenger sheds on National Highway	Promotion of Social activities	Govindsar, Kathua (J&K)	-	2.28	540.01	Direct
6.	Fixing of grills for plantation alongside National Highway	Promotion of Social activities	Kathua (J&K)	-	1.10	541.11	Direct
7.	Contribution to Govt. College, for holding 2 <sup>nd</sup> National Conference on Role of Mathematics & Computer Science	Promotion of education	Kathua (J&K)	-	0.50	541.61	Direct
8.	Contribution made towards - Traffic Education Trust	Promotion of education	Valsad (Guj.)	5.00	0.25	541.86	Direct
9.	Contribution made for 100 sets (Table + Stool) for government girls school	Promotion of education activities	Bhawanimandi (Raj.)	-	1.00	542.86	Direct
10.	Contribution made towards Rashtriya - Madhyamik Shiksha Abhiyan	Promotion of education	Jhalawar (Raj.)	-	17.43	560.29	Direct
11.	Contribution to Red Cross Society	Promotion of health care activities	Baddi (H.P.)	-	0.10	560.39	Direct
12.	Mobile Ambulance given to Chief Medical Officer	Promotion of health care activities	Jhalawar (Raj.)	-	4.81	565.20	Direct
13.	Contribution to Jotirang Music & Arts Institute for dance program	Promotion of cultural activities	Mumbai (Mah.)	5.00	2.00	567.20	Direct
14.	Contribution to J & K Wrestling Association for Championship	Promotion of Sports activities	Jammu (J&K)	5.00	0.20	567.40	Direct
15.	Contribution towards Kushti Mela	Promotion of Sports activities	Baddi (H.P.)	-	0.21	567.61	Direct
16.	Contribution towards sport events	Promotion of Sports activities	Nalagarh (H.P.)	-	0.10	567.71	Direct

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Sr. No	CSR project or activity identified	Sector in which the Project is covered	Projects or programs (1) Local Area or other (2) Specify the State and district where projects or programs was undertaken	Amount outlay (budget) project program wise (₹ in lacs)	Amount spent on the projects or programs Sub-subheads (1) Direct expenditure on projects or programs Overheads: (₹ in lacs)	Cumulative expenditure upto the reporting period (₹ in lacs)	Amount spent: Direct or through implementing agency (₹ in lacs)
17.	Construction of Community Centre for use by general public	Promotion of rural development	Baddi (H.P.)	10.00	10.00	577.71	Direct
18.	Bridge on Nallah	Promotion of rural development	Ramthi village (Raj.)	-	18.54	596.25	Direct
19.	Indian Institute for Rural Development	Promotion of rural development	Jhalawar (Raj.)	-	5.00	601.25	Direct
20.	Maintenance of fountain at Fountain Park	Promotion of rural development	Baddi (H.P.)	-	0.18	601.43	Direct
21.	Construction of sheds at Gau Shala	Ensuring animal welfare	Bhawanimandi (Raj.)	-	20.26	621.69	Direct
<b>TOTAL</b>					<b>621.69</b>	<b>621.69</b>	

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

Reasons for Amount unspent: - **N.A.**

7. Responsibility Statement of the CSR Committee: The CSR Committee confirms that the implementation and monitoring of CSR Policy is in compliance with the CSR objectives and Policy of the Company.

sd/-

**U.K.Khaitan**

Chairman, CSR Committee

sd/-

**S.K.Khandelia**

President & CEO

## Annexure-V to the Directors' Report

# Form No. MGT-9

### EXTRACT OF ANNUAL RETURN

as on the financial year ended on 31.03.2018

[Pursuant to section 92(3) of the Companies Act, 2013 and rule 12(1) of the Companies (Management and Administration) Rules, 2014]

### I. REGISTRATION AND OTHER DETAILS:

i)	CIN: -	L17124RJ2005PLC020927
ii)	Registration Date:	22/06/2005
iii)	Name of the Company:	SUTLEJ TEXTILES AND INDUSTRIES LIMITED
iv)	Category / Sub-Category of the Company:	Company limited by shares/ Indian Non- Government Company
v)	Address of the Registered office and contact details:	Pachpahar Road, Bhawanimandi, Rajasthan - 326 502, India Tel: 07433-222082,222052,222090,222115 Fax: 07433-222354 Website: www.sutlejtextiles.com
vi)	Whether listed company Yes / No:	Yes
vii)	Name, Address and Contact details of Registrar and Transfer Agent, if any -	Link Intime India Pvt.Ltd. C-101, 1 <sup>st</sup> Floor, 247 Park Lal Bahadur Shastri marg, Vikhroli West Mumbai 400083 Tel: 022 - 4918 6000 / 270; Fax: 022-49186060 Email: rnt.helpdesk@linkintime.co.in Website: www.linkintime.co.in

### II. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY

All the business activities contributing 10% or more of the total turnover of the Company shall be stated: -

Sl. No.	Name and Description of main products / services	NIC Code of the Product/ service	% to total turnover of the Company
1	Preparation and spinning of textile fibres - Preparation and spinning of cotton fiber including blended cotton and - Preparation and spinning of man-made fiber including blended man-made fiber	13111 and 13114	93.84

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

Sl. No.	Name and address of the Company	CIN/GLN	Holding/ Subsidiary/ Associate	% of shares held	Applicable Section
1	Sutlej Holdings, Inc.	N.A	Subsidiary	100 %	2(87)
2	American Silk Mills, LLC.	N.A.	Subsidiary	100 %	2(87)

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

### i) Category-wise Share Holding

Sl. No.	Category of Shareholders	No. of Shares held at the beginning of the year of Face Value of ₹10/- each prior to Sub-division of shares				No. of Shares held at the end of the year of Face Value of ₹1/- each post Sub-division of shares				% Change during the year
		Demat	Physical	Total	% of total shares	Demat	Physical	Total	% of total shares	
<b>A</b>	<b>Promoters</b>									
<b>1)</b>	<b>Indian*</b>									
a	Individuals/ HUF	11000	0	11000	0.07	110000	0	110000	0.07	0.00
b	Central Govt.	0	0	0	0.00	0	0	0	0.00	0.00
c	State Govt.(s)	0	0	0	0.00	0	0	0	0.00	0.00
d	Bodies Corporate	10456851	0	10456851	63.83	104568510	0	104568510	63.83	0.00
e	Banks/ FI	0	0	0	0.00	0	0	0	0.00	0.00
f	Any other (specify)	0	0	0	0.00	0	0	0	0.00	0.00
	i. Trusts	0	0	0	0.00	0	0	0	0.00	0.00
	<b>Sub-Total (A) (1)</b>	<b>10467851</b>	<b>0</b>	<b>10467851</b>	<b>63.90</b>	<b>104678510</b>	<b>0</b>	<b>104678510</b>	<b>63.90</b>	<b>0.00</b>
<b>2)</b>	<b>Foreign</b>									
a	NRI Individuals	0	0	0	0.00	0	0	0	0.00	0.00
b	Other Individuals	0	0	0	0.00	0	0	0	0.00	0.00
c	Bodies Corporate	0	0	0	0.00	0	0	0	0.00	0.00
d	Banks/ FI	0	0	0	0.00	0	0	0	0.00	0.00
e	Any other (specify)	0	0	0	0.00	0	0	0	0.00	0.00
	<b>Sub-Total (A) (2)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0.00</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0.00</b>
	<b>Total holding of Promoter and Promoter Group (A)=(A)(1)+(A)(2)</b>	<b>10467851</b>	<b>0</b>	<b>10467851</b>	<b>63.90</b>	<b>104678510</b>	<b>0</b>	<b>104678510</b>	<b>63.90</b>	<b>0.00</b>
<b>B</b>	<b>Public Shareholding</b>									
<b>1)</b>	<b>Institutions</b>									
a	Mutual Funds/ UTI	118945	0	118945	0.73	1590450	0	1590450	0.97	0.24
b	Banks/ FI	48146	0	48146	0.29	269715	0	269715	0.16	-0.13
c	Central Govt.	0	0	0	0.00	600480	0	600480	0.37	0.37
d	State Govt.(s)	0	0	0	0.00	0	0	0	0.00	0.00
e	Venture Capital Funds	0	0	0	0.00	0	0	0	0.00	0.00
f	Insurance Companies	0	0	0	0.00	0	0	0	0.00	0.00
g	FII's	0	0	0	0.00	0	0	0	0.00	0.00
h	Foreign Venture Capital Funds	0	0	0	0.00	0	0	0	0.00	0.00
i	Others (specify) Foreign Portfolio Investor	932	0	932	0.01	239319	0	239319	0.15	0.14
	<b>Sub-Total (B) (1)</b>	<b>168023</b>	<b>0</b>	<b>168023</b>	<b>1.03</b>	<b>2699964</b>	<b>0</b>	<b>2699964</b>	<b>1.65</b>	<b>0.62</b>
<b>2)</b>	<b>Non-Institutions</b>									
a	Bodies Corporates									
	i. Indian	2791671	171463	2963134	18.09	28188196	1714630	29902826	18.25	0.16
	ii. Overseas	0	0	0	0	0	0	0	0.00	0.00
b	Individuals									
	i. Individual Shareholders holding nominal share capital upto ₹1 lac	1085946	270877	1356823	8.28	12836391	1907100	14743491	8.99	0.71

Sl. No.	Category of Shareholders	No. of Shares held at the beginning of the year of Face Value of ₹10/- each prior to Sub-division of shares				No. of Shares held at the end of the year of Face Value of ₹1/- each post Sub-division of shares				% Change during the year
		Demat	Physical	Total	% of total shares	Demat	Physical	Total	% of total shares	
	ii. Individual Shareholders holding nominal share capital in excess of ₹1 lac	1083243	0	1083243	6.61	8540502	0	8540502	5.21	-1.40
c	Others (specify)									
	i. Non-Resident Indian	51973	0	51973	0.32	650427	0	650427	0.40	0.08
	ii. Overseas corporate Bodies	0	0	0	0.00	0	0	0	0.00	0.00
	iii. Foreign Nationals	8597	0	8597	0.05	85970	0	85970	0.05	0.00
	iv. Clearing Members	21084	0	21084	0.13	140581	0	140581	0.08	-0.05
	v. Trust	450	0	450	0.003	1500	0	1500	0.01	0.007
	vi. Foreign Bodies	0	0	0	0.00	0	0	0	0.00	0.00
	vii. NBFC	0	0	0	0.00	0	0	0	0.00	0.00
	viii. Hindu Undivided Family	261684	0	261684	1.60	2384849	0	2384849	1.46	-0.14
	<b>Sub-Total (B) (2)</b>	<b>5304648</b>	<b>442340</b>	<b>5746988</b>	<b>35.08</b>	<b>52828416</b>	<b>3621730</b>	<b>56450146</b>	<b>34.46</b>	<b>-0.62</b>
	<b>Total Public Shareholding (B)= (B)(1) + (B)(2)</b>	<b>5472671</b>	<b>442340</b>	<b>5915011</b>	<b>36.10</b>	<b>55528380</b>	<b>3621730</b>	<b>59150110</b>	<b>36.10</b>	<b>0.00</b>
C	Shares held by Custodian for GDRs & ADRs									
	<b>Grand Total (A+B+C)</b>	<b>15940522</b>	<b>442340</b>	<b>16382862</b>	<b>100.00</b>	<b>160206890</b>	<b>3621730</b>	<b>163828620</b>	<b>100.00</b>	<b>0.00</b>

**(ii) Shareholding of Promoters**

Sl. No.	Shareholder's Name	No. of Shares held at the beginning of the year of Face Value of ₹10/- each prior to Sub-division of shares			No. of Shares held at the end of the year of Face Value of ₹1/- each post Sub-division of shares			% change in share holding during the year
		No. of Shares	% of total Shares of the Company	% of Shares Pledged / of the encumbered to total shares	No. of Shares	% of total Shares of the Company	% of Shares Pledged / of the encumbered to total shares	
1	Uttar Pradesh Trading Co. Ltd.	3041697	18.57	23.01	30416970	18.57	1.83	0.00
2	Hargaon Investment & Trading Co. Ltd.	1711396	10.45	0.00	17113960	10.45	0.00	0.00
3	New India Retailing and Investment Ltd.	1706304	10.42	0.00	17063040	10.42	0.00	0.00
4	Yashovardhan Investment & Trading Co. Ltd.	1486836	9.08	0.00	14868360	9.08	0.00	0.00
5	Ronson Traders Limited	972373	5.93	0.00	9723730	5.93	0.00	0.00
6	OSM Investment & Trading Co. Ltd.	638820	3.90	0.00	6388200	3.90	0.00	0.00
7	Champaran Marketing Co. Ltd.	309810	1.89	0.00	3098100	1.89	0.00	0.00
8	SCM Investment & Trading Co. Ltd.	182928	1.11	0.00	1829280	1.11	0.00	0.00
9	RTM Investment & Trading Co. Ltd.	182928	1.11	0.00	1829280	1.11	0.00	0.00

Sl. No.	Shareholder's Name	No. of Shares held at the beginning of the year of Face Value of ₹10/- each prior to Sub-division of shares			No. of Shares held at the end of the year of Face Value of ₹1/- each post Sub-division of shares			% change in share holding during the year
		No. of Shares	% of total Shares of the Company	% of Shares Pledged / encumbered to total shares	No. of Shares	% of total Shares of the Company	% of Shares Pledged / encumbered to total shares	
10	Sidh Enterprises Ltd.	119424	0.73	0.00	1194240	0.73	0.00	0.00
11	SIL Investments Limited	75000	0.46	0.00	750000	0.46	0.00	0.00
12	Sonali Commercial Ltd.	28435	0.17	0.00	284350	0.17	0.00	0.00
13	C. S. Nopany	11000	0.07	0.00	110000	0.07	0.00	0.00
14	Uttam Commercial Ltd.	900	0.01	0.00	9000	0.01	0.00	0.00
	<b>Total</b>	<b>10467851</b>	<b>63.89</b>	<b>23.01</b>	<b>104678510</b>	<b>63.89</b>	<b>1.83</b>	<b>0.00</b>

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

- Chandra Shekhar Nopany as a Trustee of Shekhar Family Trust (Promoter Group) has acquired 50 Equity Shares on March 27, 2018. However, the same has not been reflected in the above shareholding pattern as on March 31, 2018 as the shares have not been credited to their demat account.
- Chandra Shekhar Nopany as a Trustee of Shruti Family Trust (Promoter Group) has acquired 100 Equity Shares on March 27, 2018. However, the same has not been reflected in the above shareholding pattern as on March 31, 2018 as the shares have not been credited to their demat account.

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

Sl. No.	For Each of the Top 10 Shareholders	No. of Shares held at the beginning of the year of Face Value of ₹10/- each prior to Sub-division of shares		Change in Shareholding (No. of Shares)		No. of Shares held at the end of the year of Face Value of ₹1/- each post Sub-division of shares	
		No. of Shares	% of total shares of the Company	Bought during the year	Sold during the Year	No. of Shares	% of total shares of the Company
1.	Birla Institute of Technology and Science	1128658	6.89	-	-	11286580	6.89
2.	Earthstone Holding (Two) Private Limited	980369	5.98	-	-	9803690	5.98
3.	Navjeevan Medical Institute	285691	1.74	-	-	2856910	1.74
4.	Vinodchandra Mansukhlal Parekh	180154	1.10	-	-	1801540	1.10
5.	Play-Fair Capital and Investment (P) Ltd.	174349	1.06	-	-	1743490	1.06
6.	Bnp Paribas Mid Cap Fund	81645	0.50	1508805*	-	1590450	0.97
7.	Mohan Gupta	125000	0.76	-	-	1250000	0.76
8.	Pic Realcon Ltd.	114309	0.70	-	-	1143090	0.70
9.	Mohan Gupta	105000	0.64	-	-	1050000	0.64
10.	Sanjeev Vinodchandra Parekh	87594	0.53	789846*	-	877440	0.54

\* Purchased After Sub-Division

Notes:

The above information is based on the weekly beneficiary position received from Depositories.

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

Sl. No.	For Each of the Directors and KMP	Shareholding		Cumulative Shareholding during the year	
		No. of Shares	% of total shares of the Company	No. of Shares	% of total shares of the Company
1.	<b>Shri C. S. Nopany</b>				
	At the beginning of the year of Face Value of ₹10/- each prior to sub-division of shares	11000	0.07	11000	0.07
	(Increase/Decrease) during the year	0	0	11000	0.07
	At the end of the year of Face Value of ₹1/- each post sub-division of shares	110000	0.07	110000	0.07
2.	Other Directors and KMPs hold <b>NIL</b> shares in the Company				

**V. INDEBTEDNESS**

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

(Amount in ₹)

	Secured Loans excluding deposits	Unsecured Loans	Deposits	Total Indebtedness
<b>Indebtedness at the beginning of the financial year</b>				
i) Principal Amount	9,54,04,78,895	79,05,83,473	0	10,33,10,62,368
ii) Interest due but not paid	3,11,35,496	0	0	3,11,35,496
iii) Interest accrued but not due	0	0	0	0
<b>Total (i+ii+iii)</b>	<b>9,57,16,14,391</b>	<b>79,05,83,473</b>		<b>10,36,21,97,864</b>
<b>Change in Indebtedness during the financial year</b>				
• Addition	1,90,74,04,008	0	0	1,90,74,04,008
• Reduction	1,00,73,83,967	79,05,83,473	0	1,79,79,67,440
<b>Net Change</b>	<b>90,00,20,041</b>	<b>-79,05,83,473</b>	<b>0</b>	<b>10,94,36,568</b>
<b>Indebtedness at the end of the financial year</b>				
i) Principal Amount	10,44,31,27,779	0	0	10,44,31,27,779
ii) Interest due but not paid	2,85,06,653	0	0	2,85,06,653
iii) Interest accrued but not due	0	0	0	0
<b>Total (i+ii+iii)</b>	<b>10,47,16,34,432</b>	<b>0</b>	<b>0</b>	<b>10,47,16,34,432</b>

## VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL

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

Sl. No.	Particulars of Remuneration	Name of MD/WTD/ Manager		Total Amount (₹)
		Shri Bipeen Valame Wholetime Director & CFO	Shri C. S. Nopany Executive Chairman	
1.	Gross salary			
	(a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	85,10,947	3,00,00,000	3,85,10,947
	(b) Value of perquisites u/s 17(2) of the Income-tax Act, 1961	3,68,503	-	3,68,503
	(c) Profits in lieu of salary under section 17(3) of the Income-tax Act, 1961	-	-	-
2.	Stock Option	-	-	-
3.	Sweat Equity	-	-	-
4.	Commission - as % of profit	-	4,17,00,000	4,17,00,000
5.	Others, please specify			
	a) Fee for attending Board/Committee meetings	-	3,00,000	3,00,000
	b) PF	6,74,064	-	6,74,064
	c) Car Expenses	3,09,586	-	3,09,586
	d) Premium for P.A. Cover	6,682	-	6,682
	<b>Total (A)</b>	<b>98,69,782</b>	<b>7,20,00,000</b>	<b>8,18,69,782</b>

### B. Remuneration to other directors:

Sl. No.	Particulars of Remuneration	Name of Directors							Total Amount (₹)
		Shri U. K. Khaitan	Shri Rajan Dalal	Shri Amit Dalal	Shri Rajiv K. Podar	Dr. M. H. Rahman*	Smt. Sonu Bhasin	Shri Rohit Dhoot#	
1.	Independent Directors								
	Fee for attending board / committee meetings	4,50,000	4,50,000	6,25,000	6,50,000	1,00,000	3,50,000	2,00,000	28,25,000
	Commission	4,00,000	4,00,000	4,00,000	4,00,000	1,08,493	4,00,000	1,73,151	22,81,644
	Others, please specify								
	Total (1)								51,06,644
2.	Other Non-Executive Directors								
	Shri Sukhvir Singh**								
	Fee for attending board / committee meetings	50,000							50,000
	Commission	2,26,849							2,26,849
	Others, please specify								
	Total (2)								2,76,849
	Total (B)=(1+2)								53,83,493
	Ceiling as per the Act	11% of the net profits of the Company							

\* Dr. M.H. Rahman passed away on July 09, 2017.

\*\* Shri Sukhvir Singh ceased to be a Director w.e.f. October 25, 2017.

# Shri Rohit Dhoot was appointed as an Additional Director w.e.f. October 25, 2017.

### C. Remuneration to Key Managerial Personnel other than MD/MANAGER/WTD

Sl. No.	Particulars of Remuneration	Name of Key Managerial Personnel other than MD/Manager/WTD			Total Amount (₹)
		Shri Suresh Kumar Khandelia, CEO / President	Shri Deelip R. Prabhu, Company Secretary & Compliance Officer*	Shri Manoj Contractor, Company Secretary & Compliance Officer**	
1.	Gross salary				
	(a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	4,50,06,300	27,40,800	27,11,800	5,04,58,900
	(b) Value of perquisites u/s 17(2) of the Income-tax Act, 1961	34,16,859	1,07,100	-	35,23,959
	(c) Profits in lieu of salary under section 17(3) of the Income-tax Act, 1961	-	-	-	-
2.	Stock Option	-	-	-	-
3.	Sweat Equity	-	-	-	-
4.	Commission	-	-	-	-
	- as % of profit				
	- others, specify...				
5.	Others, please specify				
	a) PF	39,52,800	2,01,600	2,18,400	43,72,800
	b) Superannuation	49,41,000	-	-	49,41,000
	c) Car expenses	-	-	2,99,837	2,99,837
	d) Premium for P.A.Cover	91,431	3,733	2,101	97,265
	<b>Total (A)</b>	<b>5,74,08,390</b>	<b>30,53,233</b>	<b>32,32,138</b>	<b>6,36,93,761</b>
	Ceiling as per the Act				

\*Shri Deelip R. Prabhu superannuated as Company Secretary and Compliance Officer w.e.f. 25/10/2017

\*\*Shri Manoj Contractor was appointed as Company Secretary and Compliance Officer w.e.f. 25/10/2017

### VII. PENALTIES / PUNISHMENT/ COMPOUNDING OF OFFENCES:

During the year 2017-18, there were no penalties / punishment / compounding of offences under the Companies Act, 2013.

## Annexure-VI to the Directors' Report

# Particulars of Employees

A. The percentage increase in remuneration of each Director, Chief Financial Officer and Company Secretary during the financial year 2017-18, ratio of the remuneration of each Director to the median remuneration of the employees of the Company for the financial year 2017-18 are as under :

Sl. No.	Name of Director / KMP	Remuneration of Director / KMP for FY 2017-18 (₹ in lacs)	Designation	Percentage increase in Remuneration	Ratio of Remuneration of each Director to median remuneration of employees
1.	Mr. C. S. Nopany	717.00	Executive Chairman	N.A.	563.16
2.	Mr. U. K. Khaitan	4.00	Independent Director	0	3.14
3.	Mr. Amit Dalal	4.00	Independent Director	0	3.14
4.	Mr. Rajan Dalal	4.00	Independent Director	0	3.14
5.	Mr. Rajiv K.Podar	4.00	Independent Director	0	3.14
6.	Dr. M.H. Rahman*	1.08	Independent Director	N.A.	0.85
7.	Mrs. Sonu Bhasin	4.00	Independent Director	0	3.14
8.	Mr. Sukhvir Singh**	2.28	Non - Executive Director	2.70	1.79
9.	Mr. Rohit Dhoot***	1.73	Independent Director	N.A.	1.36
10.	Mr. Bipeen Valame	98.70	Whole-time Director & Chief Financial Officer	N.A.	77.52
11.	Mr. S. K. Khandelia	574.08	President & Chief Executive Officer	24.71	450.90
12.	Mr. D. R. Prabhu#	30.53	Company Secretary & Compliance Officer	N.A.	23.98
13.	Mr. Manoj Contractor@	32.32	Company Secretary & Compliance Officer	N.A.	25.39

\* Dr. M. H. Rahman ceased to be Independent Director w.e.f. 09/07/2017

\*\* Mr. Sukhvir Singh ceased to be Non-Executive Director w.e.f. 25/10/2017

\*\*\* Mr. Rohit Dhoot was appointed as an Additional Director (Independent) w.e.f. 25/10/2017

# Mr. D. R. Prabhu superannuated as Company Secretary and Compliance Officer w.e.f. 25/10/2017

@ Mr. Manoj Contractor was appointed as Company Secretary and Compliance Officer w.e.f. 25/10/2017

- In the financial year, there was an average increase of 8.80% in the median remuneration of employees;
- There were 15,094 permanent employees on the rolls of Company as on 31<sup>st</sup> March, 2018;
- Average percentage increase made in the salaries of employees other than the managerial personnel in the last financial year i.e. 2017-18 was 13.68% whereas the decrease in the managerial remuneration for the same financial year was 7.07%.
- It is hereby affirmed that the remuneration paid is as per the Remuneration Policy for Directors, Key Managerial Personnel and other Employees.

#### Notes:

- The remuneration of non - executive directors is exclusive of sitting fees. .

**B. Information pursuant to Section 197(12) of the Companies Act, 2013 read with the Rule 5(2) and 5(3) of Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014**

**(1) Top 10 employees in terms of remuneration drawn during the year:**

Sl. No.	Employee Name	Designation	Remuneration in FY 2018 (₹)
1.	Mr. C. S. Nopany	Executive Chairman	7,17,00,000
2.	Mr. S. K. Khandelia	President & CEO	5,74,08,390
3.	Mr. Manoj John	Vice President (Strategic Initiatives)	1,03,65,859
4.	Mr. K. C. Sharma	Executive President	1,00,57,545
5.	Mr. Bipeen Valame	Whole-time Director & CFO	98,69,782
6.	Mr. R. R. Kankani	Joint Executive President	67,33,728
7.	Mr. D. L. Birla	Executive President	65,58,382
8.	Mr. P. K. Mittal	Asstt. Executive President (Comm. & Admn.)	63,90,184
9.	Mr. Sushil Bhalothia	Sr. Vice President (Marketing)	52,13,803
10.	Mr. Marazban F. Velati	Vice President (Corporate HR)	48,21,585

**(2) Employed throughout the financial year and were in receipt of remuneration aggregating not less than ₹1,02,00,000/- per annum.**

Name & Designation of the Employee	Remuneration received (₹)	Qualifications & Experience	Nature of Employment	Nature of duties	Date of commencement of employment	Age (Yrs.)	Last Employment held before joining the Company
Mr. C. S. Nopany Executive Chairman	7,17,00,000	C.A., Master Degree in Science of Industrial Administration from Carnegie Mellon University, Pittsburgh, USA 28 years	Regular	Executive management	July 01, 2015	52	Chairman and Managing Director of Oudh Sugar Mills Ltd.
Mr. S. K. Khandelia President & Chief Executive Officer	5,74,08,390	B.Com., FCA, 42 years.	Regular	Overall management	July 01, 2005	67	Sutlej Industries Ltd.
Mr. Manoj John V. P. (Strategic Initiatives)	1,03,65,859	B.Tech. (Civil), M.B.A. 20 years	Regular	New project initiatives	Nov 11, 2013	45	M/s. R.N.A. Corp. Pvt. Ltd.

(3) Employed for part of the financial year and were in receipt of remuneration aggregating not less than ₹8,50,000/- per month.

Name & Designation of the Employee	Remuneration received (₹)	Qualifications & Experience	Nature of Employment	Nature of duties	Date of commencement of employment	Age (Yrs.)	Last Employment held before joining the Company
Mr. Rajeev Jain Join President	31,97,860	B.Tech.(Text.) M.B.A. 35 years.	Regular	Technical Management	November 09, 2015	56	Rajasthan Spg. & Wvg.Mills Ltd.
Mr. S. S. Maheshwari Executive President	1,13,45,965	BSC, MSC (P), B.Tech. (Textile), M.B.A. (FM) 35 years.	Regular	Unit Management	April 26, 2008	61	Prime Textiles Ltd.
Mr. Updeep Singh Chatrath Dy.Chief Executive Officer	35,21,322	BSC, MBA (Mktg & HR) 30.5 years.	Regular	Overall Management	January 24, 2018	53	ITEMA Weaving India Pvt. Ltd.

**Notes:**

1. Other Terms & Conditions: As per Company's Rules and Regulations.
2. Remuneration received includes Salary, Reward, Encashment of Leave, Medical Expenses, premium on personal accident policy, Perquisites and Company's contribution to provident fund and superannuation fund; but excludes gratuity.
3. Above employees are not relatives of any Director of the Company.
4. Percentage of shares held:

Name of Director	No. of Shares held	% of Shares
Mr. C. S. Nopany	1,10,000	0.07

## Annexure-VII to the Directors' Report

Form No. MR-3

# Secretarial **Audit Report**

FOR THE FINANCIAL YEAR ENDED ON 31<sup>st</sup> MARCH, 2018

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

To,  
The Members,  
Sutlej Textiles and Industries Limited  
CIN L17124RJ2005PLC020927  
Pachpahar Road, Bhawanimandi,  
Jhalawar, Rajasthan.

I have conducted the secretarial audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by SUTLEJ TEXTILES AND INDUSTRIES LIMITED (hereinafter called the Company). Secretarial Audit was conducted in a manner that provided me a reasonable basis for evaluating the corporate conducts/statutory compliances and expressing my opinion thereon.

Based on my verification of the Company's books, papers, minute books, forms and returns filed and other records maintained by the Company and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of secretarial audit, I hereby report that in my opinion, the Company has, during the audit period covering the financial year ended on 31<sup>st</sup> March, 2018, complied with the statutory provisions listed hereunder and also that the Company has proper Board-processes and compliance mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

I have examined the books, papers, minute books, forms and returns filed and other records maintained by the Company for the financial year ended on 31<sup>st</sup> March, 2018, and made available to me, according to the provisions of:

- I. The Companies Act, 2013 (the Act) and the rules made thereunder;
- II. The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made thereunder;

- III. The Depositories Act, 1996 and the Regulations and Bye-laws framed there under;
- IV. Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings;
- V. The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act') to the extent applicable to the Company:-
  - a. The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;
  - b. The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015;
  - c. The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009 [not applicable during audit period];
  - d. The Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 / Securities And Exchange Board of India (Share Based Employee Benefits) Regulations, 2014 (effective 28<sup>th</sup> October 2014) [not applicable during audit period];

- e. The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008 [not applicable during audit period];
- f. The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client;
- g. The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations 2009 [not applicable during audit period];
- h. The Securities and Exchange Board of India (Buyback of Securities) Regulations, 1998 [not applicable during audit period].

VI The following other Laws as applicable to the Company:

- a. Employees Provident Fund and Miscellaneous Provisions Act, 1952.
- b. Employees State Insurance Act, 1948.
- c. Environment Protection Act, 1986 and other environmental laws.
- d. Equal Remuneration Act, 1976.
- e. Factories Act, 1948.
- f. Hazardous Wastes (Management and Handling) Rules, 1989 and Amendment Rule, 2003.
- g. Income Tax Act, 1961 and Goods and Service Act 2017 and the rules made thereunder.
- h. Industrial Dispute Act, 1947.
- i. Maternity Benefits Act, 1961.
- j. Minimum Wages Act, 1948.
- k. Payment of Bonus Act, 1965.
- l. Payment of Gratuity Act, 1972.
- m. Payment of Wages Act, 1936.

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

- (a) Secretarial Standards issued by The Institute of Company Secretaries of India.
- (b) The Listing Agreements entered into by the Company with BSE Limited, National Stock Exchange of India

Limited and SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015;

I report that during the period under review the Company has complied with the provisions of the Act, Rules, Regulations, Guidelines, Standards, etc. mentioned above subject to the following observations:

1. In respect of secretarial standards (SS-1) issued by ICSI, the Company has followed the same, however in my opinion there is scope for improvement.
2. During the year Board of Directors in their meeting held on 12.05.2017 passed the resolution in respect of "Annual Disclosure of Interest", that notify the same with the Registrar of Companies, however till date no forms (Form MGT-14) has been filed by the Company.
3. In respect of the listing and obligation disclosure regulation 2015, the Company has complied with the same, however there is scope for improvement for timely disclosure of the information on the Web site.

I further report that:

- The Board of Directors of the Company is duly constituted with proper balance of Executive Directors, Non-Executive Directors and Independent Directors. The changes in the composition of the Board of Directors that took place during the period under review were carried out in compliance with the provisions of the Act.
- The Company maintains all the registers as required under the Act, however there are some additional improvement required in the registers. I am informed that the Registers maintenance system is being upgraded to ensure fullest compliance.
- Adequate notice is given to all directors to schedule the Board Meetings, agenda and detailed notes on agenda were sent with proper time gap in advance, and a system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting.
- Majority decision is carried through while the dissenting members' views (if any) are captured and recorded as part of the minutes.
- The Directors have complied with the disclosure

requirements in respect of their eligibility of appointment, they being independent and compliance with the Code of Business Conduct & Ethics for Directors and Management Personnel;

- The Company has complied with the provisions of the Securities Contracts (Regulation) Act, 1956 and the Rules made under that Act, with regard to maintenance of minimum public shareholding.
- I further report that the Company has complied with the provisions of the Depositories Act, 1996 and the Bye laws framed thereunder by the Depositories with regard to dematerialization / rematerialisation of securities and reconciliation of records of dematerialized securities with all securities issued by the Company.
- The Company has complied with the requirements under the Equity Listing Agreements and SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015 entered into with BSE Limited, National Stock Exchange of India Limited.
- The Company has obtained all necessary approvals under the various provisions of the Act, where required and applicable; and

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

I further report that during the audit period the Company has undertaken specific actions regarding:

- During the year Company has incorporated a Wholly Owned Subsidiary Company in United State of America known as "SUTLEJ HOLDINGS INC".
- During the year Company has incorporated a Step Down Subsidiary Company in United State of America known as "AMERICAN SILK MILLS, LLC".

I further report that during the audit period, there were no instances of:

- I. Public / Right / Preferential issue of shares / debentures / sweat equity or any other securities.
- II. Redemption / buy-back of securities.
- III. Merger / amalgamation / reconstruction etc.
- IV. Foreign technical collaborations.

For **R. CHOUHAN & ASSOCIATES**

**RAJENDRA CHOUHAN - PROPRIETOR**  
COMPANY SECRETARY IN PRACTICE  
FCS No. 5118  
C P No.: 3726

Place : JAIPUR  
Date : 08.05.2018

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

**"ANNEXURE A"**

To,  
The Members,  
Sutlej Textiles and Industries Limited  
CIN L17124RJ2005PLC020927  
Pachpahar Road, Bhawanimandi,  
Jhalawar, Rajasthan

My report of even date is to be read along with this letter: -

1. Maintenance of Secretarial record is the responsibility of the management of the Company. My responsibility is to express as opinion on these secretarial records based on my audit.
2. I have followed the audit practices and process as were appropriate to obtain reasonable assurance about the correctness of the contents of the Secretarial records. The verification was done on test basis to ensure that correct facts are reflected in secretarial records. I believe that the processes and practices I followed, provide a reasonable basis for my opinion.
3. I have not verified the correctness and appropriateness of financial records and Books of Accounts of the Company.
4. Wherever required, I have obtained Management representation about the compliance of laws, rules and regulations and happening of events etc.
5. The compliance of the provisions of Corporate and other applicable laws, Rules, Regulations, standards is the responsibility of management. My examination was limited to the verification of procedures on test basis.
6. The Secretarial Audit report is neither an assurance as to the future viability of the Company nor of the efficacy or effectiveness with which the management has conducted the affairs of the Company.

For **R. CHOUHAN & ASSOCIATES**

**RAJENDRA CHOUHAN - PROPRIETOR**  
COMPANY SECRETARY IN PRACTICE

Place : JAIPUR  
Date : 08.05.2018

FCS No. 5118  
C P No.: 3726

## Annexure-VIII to the Directors' Report

### FORM NO. AOC -1

(Pursuant to first proviso to sub-section (3) of Section 129 read with Rule 5 of Companies (Accounts) Rules, 2014)  
Statement containing salient features of the financial statement of subsidiaries / associate companies / joint ventures

#### Part "A": Subsidiaries

		(in ₹)	
Sr. No.	Particulars	Sutlej Holdings, INC. (Subsidiary w.e.f. 6 <sup>th</sup> November, 2017)	American Silk Mills, LLC. (Subsidiary w.e.f. 6 <sup>th</sup> November, 2017)
1.	Reporting Period	FY 2017-2018	FY 2017-2018
2.	Reporting currency	INR	INR
3.	Exchange Rate	-	-
4.	Share Capital	29,12,70,150	19,41,80,100
5.	Reserves and Surplus	(2,59,419)	40,20,916
6.	Total Assets	29,16,77,238	25,61,92,384
7.	Total Liabilities	6,66,507	5,79,91,368
8.	Investments	19,41,80,100	-
9.	Turnover	-	22,90,97,130
10.	Profit & Loss before Taxation	(68,468)	30,38,927
11.	Provision for Taxation	6,60,037	-
12.	Profit & Loss after Taxation	(7,28,505)	30,38,927
13.	Proposed Dividend	-	-
14.	% of Shareholding	100%	100%

Note:-

Sutlej Holdings, INC. is the subsidiary of the Company and American Silk Mills, LLC. is the step-down subsidiary of the Company.

#### Part "B": Associates and Joint Ventures

Statement pursuant to Section 129 (3) of the Companies Act, 2013 related to Associate Companies and Joint Ventures –

The Company does not have any Associate Company and Joint Ventures.

## Annexure-IX to the Directors' Report

### FORM NO. AOC-2

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

Form for Disclosure of particulars of contracts/arrangements entered into by the Company with related parties referred to in Sub Section (1) of Section 188 of the Companies Act, 2013 including certain arm's length transaction 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 entered into during the year ended 31<sup>st</sup> March, 2018, which were not at arm's length basis.

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

There were no material contracts or arrangements or transactions entered into during the year ended 31<sup>st</sup> March, 2018.

For and on behalf of the Board

Place : New Delhi  
Date: 11<sup>th</sup> May, 2018

**C. S. Nopany**  
Executive Chairman



# Financial Statements

# Independent Auditor's Report

TO THE MEMBERS OF  
**SUTLEJ TEXTILES AND INDUSTRIES LIMITED**

## Report on the Audit of the Standalone Ind AS Financial Statements

We have audited the accompanying standalone Ind AS financial statements of Sulej Textiles and Industries Limited ("the Company"), which comprise the Balance Sheet as at 31 March 2018, the Statement of Profit and Loss, the Statement of Changes in Equity and the Statement of Cash Flows for the year then ended and summary of the significant accounting policies and other explanatory information.

## Management's Responsibility for the Standalone Ind AS 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 standalone Ind AS financial statements that give a true and fair view of the state of affairs, profit/loss and other comprehensive income, changes in equity and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards (Ind AS) prescribed under section 133 of the Act.

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

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

## Auditor's Responsibility

Our responsibility is to express an opinion on these standalone Ind AS financial statements based on our audit.

We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder.

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

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

the reasonableness of the accounting estimates made by the Company's Directors, as well as evaluating the overall presentation of the standalone Ind AS financial statements.

We are also responsible to conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the opinion. Our conclusions are based on the audit evidence obtained up to the date of the auditor's report. However, future events or conditions may cause an entity to cease to continue as a going concern.

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

### **Opinion**

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

### **Other Matter**

The comparative financial information of the company for the year ended 31 March 2017 prepared in accordance with Ind AS included in these standalone Ind AS financial statements have been audited by the predecessor auditor. The report of the predecessor auditor on the comparative financial information dated 18 May 2017 expressed an unmodified opinion.

Our opinion is not modified in respect of this matter.

### **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, 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, the Cash Flow Statement and Statement of Changes in Equity dealt with by this Report are in agreement with the books of account.
  - d) In our opinion, the aforesaid Ind AS financial statements comply with the Indian Accounting Standards prescribed under section 133 of the Act.
  - e) On the basis of the written representations received from the directors as on 31 March 2018 taken on record by the Board of Directors, none of the directors is disqualified as on 31 March 2018 from being appointed as a director in terms of Section 164(2) of the Act.
  - f) With respect to the adequacy of the internal financial controls with reference to financial statements of the Company and the operating effectiveness of such controls, refer to our separate Report in "Annexure B".
  - g) With respect to the other matters to be included in

the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:

- i. The Company has disclosed the impact of pending litigations on its financial position in its standalone Ind AS financial statements- Refer note 40 to the standalone Ind AS financial statements.
- ii. The Company did not have any long-term contracts including derivative contract for which there were any material foreseeable losses.
- iii. There has been no delay in transferring amounts, required to be transferred to the Investor Education and Protection Fund by the Company.
- iv. The disclosures in the financial statements

regarding holdings as well as dealings in specified bank notes during the period from 8 November 2016 to 30 December 2016 have not been made since, they do not pertain to the financial year ended 31 March 2018. However, amounts as appearing in the audited financial statements for the year ended 31 March 2017 have been disclosed- refer note 51 to the Ind AS financial statements.

For **B S R & Co. LLP**

Chartered Accountants

ICAI Firm registration number: 101248W/W-100022

**Rajiv Goyal**

Partner

Place : Gurugram

Date : 11 May 2018

Membership No.: 094549

**Annexure A referred to in our Independent Auditor's Report to the Members of Sutlej Textiles and Industries Limited on the Standalone Ind AS financial statements for the year ended 31 March 2018**

- (i) (a) According to the information and explanations given to us, the Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets (property, plant and equipment and intangible assets).
- (b) According to the information and explanations given to us, the Company has a regular programme of physical verification of its fixed assets by which all fixed assets are verified in a phased manner over a period of three years. In accordance with this program, certain fixed assets were verified during the year. In our opinion, the periodicity of physical verification is reasonable having regard to the size of the Company and the nature of its assets. As informed to us, no material discrepancies were observed on such verification.
- (c) According to the information and explanations given to us and on the basis of our examination of the records of the Company, the title deed of the immovable property is held in the name of the Company except for the below assets for which registration is pending and are currently held in the name of the respective units :-

(₹ in Crore)

Particulars	Gross block as at 31 March 2018	Net block as at 31 March 2018
Leasehold land at Jammu (Jammu & Kashmir)	2.92	2.58
Freehold land at Baddi (Himachal Pradesh)	0.08	0.08

- (ii) According to the information and explanations given to us, the inventories, except goods-in-transit, has been physically verified by the management. For goods-in transit, all materials were substantially received/ delivered until the date of issuance of the report. In our opinion, the frequency of verification is reasonable. Further, as informed, the discrepancies noticed on verification between the physical inventory and the books records were not material.
- (iii) According to information and explanation to us, the Company, during the earlier periods, had granted unsecured loan to a Company covered in the register maintained under section 189 of the Companies Act, 2013. Further, according to information and explanation to us:
- a) the terms and conditions of the grant of such loan are not prejudicial to the Company's interest.
  - b) the repayment of the principal and payment of interest amount is as stipulated and has been regular.
  - c) there is no overdue for more than ninety days.

The Company has not granted any loan to firms, limited liability partnerships or other parties covered in the register maintained under Section 189 of the Companies Act, 2013.

- (iv) The Company has complied with provisions of section 186 of the Companies Act, 2013 in respect of loans granted and investments made. According to information and explanations given by the management, no loan or guarantee or security under section 185 and no guarantee and security under section 186 of the Companies Act, 2013 have been given during the year.
- (v) According to the information and explanations given to us, the Company has not accepted any deposits as mentioned in the directives issued by the Reserve Bank of India and the provisions of Section 73 to 76 or any other relevant provisions of the Act

and the rules framed there under.

- (vi) We have broadly reviewed the books of account maintained by the Company as specified under section 148(1) of the Act, for maintenance of cost records in respect of products manufactured by the Company, and are of the opinion that prima facie, the prescribed accounts and records have been made and maintained. However, we have not made a detailed examination of cost records with a view to determine whether they are accurate or complete.
- (vii) (a) According to the information and explanations given to us and on the basis of our examination of the records of the Company, amounts deducted/ accrued in the books of account in respect of undisputed statutory dues including Provident Fund, Employees' State Insurance, Income-tax, Sales-tax, Goods and Service Tax, Service tax, Duty of Customs, Duty of Excise, Value Added Tax, Cess and any other material statutory dues, to the extent applicable, have been regularly deposited with the appropriate authorities.

According to the information and explanations given to us, no undisputed amounts payable in respect of Provident Fund, Employees' State Insurance, Income-tax, Sales-tax, Goods and Service Tax, Service tax, Duty of Customs, Duty of Excise, Value Added tax, Cess and other material statutory dues, to the extent applicable, were in arrears as at 31 March 2018 for a period of more than six months from the date they became payable.

- (b) According to the information and explanations given to us, and on the basis of the records of the Company examined by us, there are no dues outstanding of Income Tax, Sales Tax, Service Tax, Duty of Customs, Duty of Excise and Value Added Tax which has not been deposited as on 31 March 2018 on account of disputes, except as mentioned below:-

Name of the Statute	Nature of the dues #	Amount (net of paid) (₹ in Crore)	Forum where dispute is pending	Period to which amount relates
Himachal Pradesh Tax on Entry of Goods into Local Area Act, 2010	Entry tax	5.43	High Court of Himachal Pradesh	2011 -2017
Gujarat Tax on Entry of specified goods into Local Areas Act, 2001		14.60	Supreme Court	2006- 2017
The Central Excise Act, 1944	Excise duty	0.24	Supreme Court	1995-1996
		0.08	Commissioner Appeals	2012-13
		3.42	Joint Secretary, Government of India, Ministry of Finance, Department of Revenue, New Delhi	2014-15
The Central Excise Act, 1944	Excise duty	0.07	High Court of Jammu	2004-05
		1.28	Joint Secretary, Government of India, Ministry of Finance, Department of Revenue, New Delhi	2008-12
		0.04	Regional Authority, Jammu	2010
		1.50	Commissioner (Appeals)	2011-2016
		0.07	Additional Commissioner	2012-13
		0.53	Central Excise & Service Tax Appellate Tribunal, New Delhi	2010-11

# including interest/ penalties, where quantified and demanded by authorities.

- (viii) According to the information and explanations given to us, the Company has not defaulted in repayment of loans or borrowings to any banks. The Company did not have any outstanding debentures or dues on account of loans or borrowings to any financial institutions or government during the year.
- (ix) According to the information and explanations given to us, the Company did not raise any money by way of initial public offer or further public offer (including debt instrument) during the year. Further, the term loans taken by the Company have been applied for the purpose for which they were raised.
- (x) According to the information and explanations given to us, no fraud by the Company or on the Company by its officers or employees has been noticed or reported during the year.
- (xi) According to the information and explanations given to us and based on our examination of the records of the Company, the managerial remuneration has been paid or provided by the Company in accordance with provisions of Section 197 read with Schedule V of the Companies Act, 2013.
- (xii) According to the information and explanations given to us, the Company is not a Nidhi Company. Accordingly, paragraph 3(xii) of the Order is not applicable.
- (xiii) According to the information and explanations given to us and on the basis of our examination of

the records of the Company, all transactions with the related parties are in compliance with section 177 and 188 of the Act, where applicable, and the details have been disclosed in the standalone Ind AS financial statements, as required by the applicable accounting standards.

- (xiv) According to the information and explanations given to us and on the basis of our examination of the records of the Company, the Company has not made any preferential allotment or private placement of its shares or fully or partly convertible debentures during the year. Accordingly, paragraph 3(xiv) of the Order is not applicable.
- (xv) According to the information and explanations given to us, the Company has not entered into any

non-cash transactions with directors or persons connected with him. Accordingly, paragraph 3(xv) of the Order is not applicable.

- (xvi) According to the information and explanations given to us, the Company is not required to be registered under section 45-IA of the Reserve Bank of India Act, 1934.

For **B S R & Co. LLP**

Chartered Accountants

ICAI Firm registration number: 101248W/W-100022

**Rajiv Goyal**

Partner

Place : Gurugram

Date : 11 May 2018

Membership No.: 094549

## **Annexure B to the Independent Auditor's Report of even date on the standalone Ind AS financial statements of Sutlej Textiles and Industries Limited for the year ended 31 March 2018**

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

We have audited the internal financial controls with reference to financial statements of Sutlej Textiles and Industries Limited ("the Company") as of 31 March 2018 in conjunction with our audit of the standalone Ind AS financial statements of the Company for the year ended on that date.

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

The Company's management is responsible for establishing and maintaining internal financial controls based on the internal control with respect to financial statements criteria established by the Company considering the essential components of internal control stated in the Guidance Note on 'Audit of Internal Financial Controls over Financial Reporting' issued by the

Institute of Chartered Accountants of India ('ICAI'). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Act.

#### **Auditor's Responsibility**

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

section 143(10) of the Act, to the extent applicable to an audit of internal financial controls, both applicable to an audit of Internal Financial Controls and, both issued by the ICAI. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls with respect to financial statements 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 with respect to financial statements and their operating effectiveness. Our audit of internal financial controls with respect to financial statements included obtaining an understanding of internal financial controls with respect to financial statements, 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 with respect to financial statements.

#### **Meaning of Internal Financial Controls with respect to financial statements**

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

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

#### **Inherent Limitations of Internal Financial Controls with respect to financial statements**

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

#### **Opinion**

In our opinion, the Company has, in all material respects, an adequate internal financial controls system with respect to financial statements and such internal financial controls with respect to financial statements were operating effectively as at 31 March 2018, based on the internal control with respect to financial statements criteria established by the Company considering the essential components of internal control stated in the Guidance Note issued by the ICAI.

For **B S R & Co. LLP**

Chartered Accountants

ICAI Firm registration number: 101248W/W-100022

**Rajiv Goyal**

Partner

Place : Gurugram

Date : 11 May 2018

Membership No.: 094549

## Standalone balance sheet as at 31 March 2018

(all amounts are in Rupees crore, unless otherwise stated)

(₹ in crore)

Particulars	Notes	As at 31 March 2018	As at 31 March 2017
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	3	1,108.28	1,127.48
Capital work-in-progress	3	9.51	11.38
Intangible assets	4	1.09	0.55
<b>Financial assets</b>			
(i) Investments	5	81.61	28.32
(ii) Loans	6	4.28	4.37
Non-current tax assets (net)	7	0.15	0.02
Other non-current assets	8	2.11	4.31
<b>Total non-current assets</b>		<b>1,207.03</b>	<b>1,176.43</b>
<b>Current assets</b>			
Inventories	9	506.59	529.92
<b>Financial assets</b>			
(i) Trade receivables	10	325.32	242.09
(ii) Cash and cash equivalents	11	0.93	2.02
(iii) Bank balances other than cash and cash equivalents	12	1.75	1.54
(iv) Loans	13	0.53	0.85
(v) Other current financial assets	14	5.68	6.36
Other current assets	15	133.68	85.70
Assets classified as held for sale	16	0.24	0.26
<b>Total current assets</b>		<b>974.72</b>	<b>868.74</b>
<b>Total assets</b>		<b>2,181.75</b>	<b>2,045.17</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Equity share capital	17	16.38	16.38
Other equity	18	890.20	799.59
<b>Total equity</b>		<b>906.58</b>	<b>815.97</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
<b>Financial liabilities</b>			
(i) Borrowings	19	509.15	513.04
(ii) Other financial liabilities	20	5.92	5.83
Provisions	21	8.95	8.63
Deferred tax liabilities (net)	22A	22.27	1.52
Other non-current liabilities	23	8.47	9.11
<b>Total non-current liabilities</b>		<b>554.76</b>	<b>538.13</b>
<b>Current liabilities</b>			
<b>Financial liabilities</b>			
(i) Borrowings	24	438.11	429.46
(ii) Trade payables	25	97.43	71.56
(iii) Other financial liabilities	26	152.02	152.12
Other current liabilities	27	14.48	19.59
Provisions	28	16.46	16.35
Current tax liabilities (net)	29	1.91	1.99
<b>Total current liabilities</b>		<b>720.41</b>	<b>691.07</b>
<b>Total liabilities</b>		<b>1,275.17</b>	<b>1,229.20</b>
<b>Total equity and liabilities</b>		<b>2,181.75</b>	<b>2,045.17</b>

Summary of significant accounting policies

2

The accompanying notes form an integral part of the financial statements

In terms of our report of even date attached

**For B S R & Co. LLP**

Chartered Accountants

Firm Regn. No.101248W / W-100022

**Rajiv Goyal**

Partner

Membership No -094549

Place : Gurugram

Date : 11 May 2018

For and on behalf of the Board of Directors of  
**Sutlej Textiles and Industries Limited**

**Rajan Dalal**

Director

DIN : 00546264

**Bipeen Valame**

Wholesale Director & CFO

DIN : 07702511

**C. S. Nopany**

Executive Chairman

DIN : 00014587

**Manoj Contractor**

Company Secretary

M. No. : A11661

## Standalone statement of profit and loss for the year ended 31 March 2018

(all amounts are in Rupees crore, unless otherwise stated)

(₹ in crore)

Particulars	Notes	For the year ended 31 March 2018	For the year ended 31 March 2017
<b>REVENUE</b>			
Revenue from operations	30	2,453.94	2,249.62
Other income	31	33.59	34.98
<b>Total income</b>		<b>2,487.53</b>	<b>2,284.60</b>
<b>EXPENSES</b>			
Cost of materials consumed	32	1,306.37	1,183.71
Purchase of stock in trade		112.75	104.88
Changes in inventories of finished goods, stock-in-trade and work-in-progress	33	(23.35)	(25.75)
Employee benefits expense	34	299.37	265.67
Finance costs	35	59.12	45.67
Depreciation and amortization expense	36	106.58	85.02
Other expenses	37	511.64	439.28
<b>Total expenses</b>		<b>2,372.48</b>	<b>2,098.48</b>
<b>Profit before exceptional items and tax</b>		<b>115.05</b>	<b>186.12</b>
Exceptional items	38	41.83	2.34
<b>Profit before tax</b>		<b>156.88</b>	<b>188.46</b>
<b>Tax expense:</b>	22B		
Current tax		28.06	39.69
Deferred tax charge/ (credit)		15.69	(9.17)
<b>Profit for the year</b>		<b>113.13</b>	<b>157.94</b>
<b>Other comprehensive income</b>			
<b>Items that will not be reclassified to profit or loss</b>			
Remeasurement of defined benefit plans		4.75	0.51
Tax relating to remeasurement of defined benefit plans		(1.64)	(0.18)
<b>Total other comprehensive income for the year</b>		<b>3.11</b>	<b>0.33</b>
<b>Total comprehensive income for the year</b>		<b>116.24</b>	<b>158.27</b>
<b>Earnings per equity share of face value of ₹ 1 each</b>	39		
Basic and diluted		6.91	9.64
Summary of significant accounting policies	2		

The accompanying notes form an integral part of the financial statements

In terms of our report of even date attached

**For B S R & Co. LLP**

Chartered Accountants

Firm Regn. No.101248W / W-100022

**Rajiv Goyal**

Partner

Membership No -094549

Place : Gurugram

Date : 11 May 2018

For and on behalf of the Board of Directors of

**Sutlej Textiles and Industries Limited**

**Rajan Dalal**

Director

DIN : 00546264

**Bipeen Valame**

Wholetime Director & CFO

DIN : 07702511

**C. S. Nopany**

Executive Chairman

DIN : 00014587

**Manoj Contractor**

Company Secretary

M. No. : A11661

## Standalone statement of cash flows for the year ended 31 March 2018

(all amounts are in Rupees crore, unless otherwise stated)

(₹ in crore)

Particulars	For the year ended 31 March 2018	For the year ended 31 March 2017
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>		
<b>Profit before tax</b>	156.88	188.46
<b>Adjustments for :-</b>		
Depreciation and amortization expense	106.58	85.02
Profit on sale/discard of property, plant and equipment (net)	(1.35)	(0.74)
Finance costs	59.12	45.67
Dividend from preference share	(23.47)	-
Interest received	(12.85)	(14.21)
Deferred government subsidies	(0.99)	(0.50)
Net fair value gain on financial assets measured at fair value through profit or loss	(22.65)	(2.34)
Provision for doubtful debts	0.13	-
Fair value (gains)/ loss on derivatives	3.47	(1.95)
Provision for doubtful debts written back	(0.14)	-
Sundry credit balances written back (net)	(1.04)	(0.53)
<b>Operating profit before working capital changes</b>	<b>263.69</b>	<b>298.88</b>
<b>Movements in working capital :-</b>		
(Increase)/ decrease in inventories	23.33	(99.72)
(Increase)/ decrease in trade receivables	(83.22)	(31.19)
(Increase)/ decrease in other financial assets	(1.68)	1.54
(Increase)/ decrease in other assets	(47.98)	(1.88)
Increase/ (decrease) in trade payables	26.91	5.20
Increase/ (decrease) in other financial liabilities	1.88	7.57
Increase/ (decrease) in provisions	5.18	(2.78)
(Increase)/ decrease in other liabilities	(5.11)	2.09
<b>Cash generated from operations</b>	<b>183.00</b>	<b>179.71</b>
Income tax paid (net of refund)	(24.85)	(38.75)
<b>Net cash from operating activities</b>	<b>158.15</b>	<b>140.96</b>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>		
Movement in fixed deposit	(0.21)	(0.17)
Interest received	12.85	14.20
Dividend from preference share	23.47	-
Purchase of property, plant and equipment (including capital advance)	(94.38)	(322.54)
Proceeds from sale of property, plant & equipment	3.16	2.29
Grants/subsidy from government	0.35	7.48
<b>Net cash used in investing activities</b>	<b>(54.76)</b>	<b>(298.74)</b>

## Standalone statement of cash flows for the year ended 31 March 2018

(all amounts are in Rupees crore, unless otherwise stated)

(₹ in crore)

Particulars	For the year ended 31 March 2018	For the year ended 31 March 2017
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>		
Net proceeds/ (repayment) of long term borrowings	2.29	83.92
Net proceeds/ (repayment) of short term borrowings	8.65	145.97
Finance costs (net of interest subsidy received under TUFS and interest capitalised)	(59.15)	(46.79)
Investment in equity shares	(30.64)	
Dividend paid and tax on distributed profits	(25.63)	(25.63)
<b>Net cash used in financing activities</b>	<b>(104.48)</b>	<b>157.47</b>
<b>Net increase/ (decrease) in cash and cash equivalents</b>	<b>(1.09)</b>	<b>(0.31)</b>
Cash and cash equivalents at the beginning of the year *	2.02	2.33
Cash and cash equivalents at the end of the year *	0.93	2.02
	<b>(1.09)</b>	<b>(0.31)</b>

\* Refer note 11 for details.

**Notes:**

- The Cash flow statement has been prepared in accordance with 'Indirect Method' as set out in Ind AS-7- 'Statement of Cash Flows', as notified under Section 133 of the Companies Act, 2013, read with relevant rules issued thereunder.
- Changes in liabilities arising from financing activities (₹ in crore)

Particulars	For the year ended 31 March 2018	For the year ended 31 March 2017
<b>Opening balance of borrowings</b>		
Term loan (including current maturities)	603.65	520.25
Current borrowings	429.46	283.49
<b>Cash Flows</b>		
Repayment of term loan	100.41	156.00
Proceeds from term loan	102.97	239.40
Increase in current borrowings (net)	8.65	145.97
<b>Closing balance of borrowings</b>		
Term loan (including current maturities)	606.21	603.65
Current borrowings	438.11	429.46

**3 Amendment to Ind AS 7**

Effective 01 April 2017, the Company adopted the amendment to Ind AS 7, which require the entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes, suggesting inclusion of a reconciliation between the opening and closing balances in the Balance Sheet for liabilities arising from financing activities, to meet the disclosure requirement. The adoption of amendment did not have any material impact on the financial statements.

In terms of our report of even date attached

**For B S R & Co. LLP**

Chartered Accountants

Firm Regn. No.101248W / W-100022

**Rajiv Goyal**

Partner

Membership No -094549

Place : Gurugram

Date : 11 May 2018

For and on behalf of the Board of Directors of

**Sutlej Textiles and Industries Limited****Rajan Dalal**

Director

DIN : 00546264

**Bipeen Valame**

Wholetime Director &amp; CFO

DIN : 07702511

**C. S. Nopany**

Executive Chairman

DIN : 00014587

**Manoj Contractor**

Company Secretary

M. No. : A11661

## Standalone statement of changes in equity for the year ended 31 March 2018

(all amounts are in Rupees crore, unless otherwise stated)

### (a) Equity share capital

(₹ in crore)

Particulars	As at 31 March 2018		As at 31 March 2017	
	No. of Shares	Amount	No. of Shares	Amount
Balance at the beginning of the year	1,63,82,862	16.38	1,63,82,862	16.38
Increase due to sub-division of equity share [refer note 17(f)]	14,74,45,758	-	-	-
Balance at the end of the year	<b>16,38,28,620</b>	<b>16.38</b>	<b>1,63,82,862</b>	<b>16.38</b>

### (b) Other equity

Particulars	Reserves and Surplus			Total
	General reserve	Retained earnings	Other comprehensive income	
<b>Balance as at 31 March 2016</b>	<b>150.06</b>	<b>518.03</b>	<b>(1.14)</b>	<b>666.95</b>
Profit for the year as per statement of profit and loss	-	157.94	-	157.94
Other comprehensive income for the year	-	-	0.33	0.33
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>157.94</b>	<b>0.33</b>	<b>158.27</b>
Transfer to general reserve	16.00	(16.00)	-	-
Dividend paid	-	(21.29)	-	(21.29)
Dividend distribution tax	-	(4.34)	-	(4.34)
<b>Balance as at 31 March 2017</b>	<b>166.06</b>	<b>634.34</b>	<b>(0.81)</b>	<b>799.59</b>
Profit for the year as per Statement of profit and loss	-	113.13	-	113.13
Other comprehensive income for the year	-	-	3.11	3.11
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>113.13</b>	<b>3.11</b>	<b>116.24</b>
Transfer to general reserve	12.00	(12.00)	-	-
Dividend paid	-	(21.29)	-	(21.29)
Dividend distribution tax	-	(4.34)	-	(4.34)
<b>Balance as at 31 March 2018</b>	<b>178.06</b>	<b>709.84</b>	<b>2.30</b>	<b>890.20</b>

Significant accounting policies 2

The accompanying notes form an integral part of the financial statements

In terms of our report of even date attached

**For B S R & Co. LLP**

Chartered Accountants

Firm Regn. No.101248W / W-100022

**Rajiv Goyal**

Partner

Membership No -094549

Place : Gurugram

Date : 11 May 2018

For and on behalf of the Board of Directors of

**Sutlej Textiles and Industries Limited**

**Rajan Dalal**

Director

DIN : 00546264

**Bipeen Valame**

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DIN : 07702511

**C. S. Nopany**

Executive Chairman

DIN : 00014587

**Manoj Contractor**

Company Secretary

M. No. : A11661

## Notes to the standalone financial statements for the year ended 31 March 2018

### 1. COMPANY INFORMATION

Sutlej Textiles and Industries Limited (herein after referred to as "the Holding Company") is domiciled in India with its registered office situated at Pachpahar Road, Bhawanimandi - 326502, Rajasthan. The Company has been incorporated under the provisions of Indian Companies Act and its equity shares are listed on the National Stock Exchange (NSE) and Bombay Stock Exchange (BSE) Limited. The Company deals in cotton and man-made fibres yarn and home textiles.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Company has consistently applied the following accounting policies to all periods presented in the financial statements.

#### 2.1 Basis of preparation

These standalone financial statements of the Company have been prepared in accordance with the Indian Accounting Standards (hereinafter referred to as the 'Ind AS') as per the Companies (Indian Accounting Standards) Rules, 2015 notified under Section 133 of Companies Act, 2013, (the 'Act') and other relevant provisions of the Act.

These financial statements were authorised for issue by the board of directors on their meeting held on 11 May 2018.

#### 2.2 Basis of measurement

The financial statements have been prepared under the historical cost basis except for the following items: -

- Defined benefit liability/(assets): Fair value of plan assets less present value of defined benefit obligation
- Certain financial assets and liabilities (including financial instrument): - Fair value;
- Other financial assets and liabilities- measured at amortised cost.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company take into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in the financial statements is determined on such a basis, except measurements that have some similarities to fair value but are not fair value, such as net realizable value in Inventories or value in use in impairment of assets. The basis of fair valuation of these items is given as part of their respective accounting policies.

In addition, for financial reporting purposes, fair value measurements are categorised into level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- **Level 1** inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company can access at the measurement date;
- **Level 2** inputs are inputs, other than quoted prices included within level 1, that are observable for the asset or liability, either directly or indirectly; and
- **Level 3** inputs are unobservable inputs for the asset or liability.

#### 2.3 Use of judgements and estimates

In preparing these financial statements, management has made judgements, estimates and assumptions that affect the application of the Company's accounting policies and the reported amounts of assets, liabilities, income and expenses. Management believes that the estimates used in the preparation of the financial statements are

## Notes to the standalone financial statements (contd...)

prudent and reasonable. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

### Judgements

Information about the judgements made in applying accounting policies that have the most significant effects on the amounts recognised in the financial statements have been given below:

- Classification of leases into finance and operating lease - whether an arrangement contains a lease (note 42);
- Classification of financial assets (note 46)

### Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the financial statements for the every period ended is included below:

- Measurement of defined benefit obligations: key actuarial assumptions; (note 44)
- Recognition of deferred tax assets: availability of future taxable profit against which MAT credit can be used (note 2.19)
- Useful life and residual value of property, plant and equipment, and intangible assets
- Recognition and measurement of provisions and contingencies: key assumptions about the likelihood and magnitude of an outflow of resources (note 40)
- Impairment of financial assets: key assumptions used in estimating recoverable cash flows and inventory write down (note 46 and note 2.14)

### 2.4 Classification of assets and liabilities as current and non- current

The Company presents assets and liabilities in the balance sheet based on current/ non-current classification. An asset is treated as current when it is:

- Expected to be realised or intended to be sold or consumed in normal operating cycle.
- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting period, or
- Cash and cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is treated as current when:

- It is expected to be settled in normal operating cycle.
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

All other liabilities are classified as non-current.

Deferred tax liabilities are classified as non-current liabilities.

The operating cycle is the time between the acquisition of the assets for processing and their realisation in cash and cash equivalents. The Company has identified twelve months as its operating cycle.

## Notes to the standalone financial statements (contd...)

### 2.5 Property, plant and equipment

#### Recognition and measurement

Items of property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment loss, if any. The cost of an item of property, plant and equipments comprises its purchase price and directly attributable cost of bringing the assets to working condition for its intended use including borrowing cost and incidental expenditure during construction incurred up to the date when the assets are ready to use.

If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as a separate items (major components) of property, plant and equipment.

#### Subsequent expenditure

Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the Company.

#### Depreciation

Depreciation on property, plant and equipment is calculated on straight line method and is recognized in the statement of profit and loss. The rates are arrived at based on the estimated useful lives given in schedule II of the Companies Act, 2013 or re-assessed by the Company on technically assessed, as given below: -

Assets	Useful life as per Technical Certificate	Useful life as per Companies Act
Non factory buildings	58 years	60 years
Factory buildings	30 years	30 years
Plant and equipment	18 years and 4 months /20 years / 15 years/ 3 years and 6 years	15 years/ 3years and 6 years
Office equipment	5 years	5 years
Furniture and fixtures	5-10 years	10 years
Vehicles	8 years and 10 years	8 years and 10 years

Depreciation methods, useful lives and residual values are reviewed in each financial year end and changes, if any, are accounted for prospectively.

Based on technical evaluation and consequent advice, the management believes that its estimates of useful lives as given above best represent the period over which management expects to use these assets.

Depreciation on additions to or on disposal of assets is calculated on pro-rata basis. Leasehold land is being amortised over the period of lease tenure. Additions on rented premises (offices and guest houses) are being amortised over the period of rent agreement.

Individual assets costing below ₹ 5000 are fully depreciated in the year of purchase as these assets have no significant useful life.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between net disposal proceeds and the carrying amount of the asset and is recognised in the statement of profit and loss.

#### Capital work-in-progress

Capital work-in-progress includes assets in the course of construction for production/ and supply of goods or services or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognised impairment loss. At the point when an asset is operating at management's intended use, the cost of construction is transferred to the appropriate category of property, plant and equipment. Costs associated with the commissioning of an asset are capitalized.

## Notes to the standalone financial statements (contd...)

### 2.6 Intangible assets

Intangible assets acquired separately are stated at cost less accumulated amortization and impairment loss, if any. Intangible assets are amortized on straight line method basis over the estimated useful life. Estimated useful life of the software is considered as 5 years.

Amortisation methods, useful lives and residual values are reviewed in each financial year end and changes, if any, are accounted for prospectively.

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

### 2.7 Non-current assets (or disposal groups) held for sale

Non-current assets, or disposal groups comprising assets and liabilities, are classified as held-for sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use.

Such assets, or disposal groups, are generally measured at the lower of their carrying amount and fair value less costs to sell. An impairment loss is recognised for any initial or subsequent write-down of the asset to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset, but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset is recognised at the date of de-recognition.

Once classified as held-for-sale, intangible assets and property, plant and equipment are no longer amortised or depreciated.

### 2.8 Impairment of non-financial assets

At each reporting date, the Company reviews the carrying amounts of its non-financial assets (other than inventories and deferred tax assets) to determine whether there is any indication on impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash generating units (CGUs).

The Company's corporate assets (e.g., central office building for providing support to various CGUs) do not generate independent cash inflows. To determine impairment of a corporate asset, recoverable amount is determined for the CGUs to which the corporate asset belongs.

The recoverable amount of a CGU (or an individual asset) is the higher of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the CGU (or the asset).

Impairment loss in respect of assets is reversed only to the extent that the assets carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised in prior years. A reversal of impairment loss is recognised immediately in the statement of profit and loss.

### 2.9 Borrowing cost

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are capitalised as part of the cost of such assets upto the assets are substantially ready for their intended use or sale.

## Notes to the standalone financial statements (contd...)

The loan origination costs directly attributable to the acquisition of borrowings (e.g. loan processing fee, upfront fee) are amortised on the basis of the effective interest rate (EIR) method over the term of the loan.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization. All other borrowing costs are recognised in the statement of profit and loss in the period in which they are incurred.

### 2.10 Foreign currency transactions

The financial statements are presented in Indian Rupees ('INR'), which is also the Company's functional currency.

#### Transactions and balances

Transactions in foreign currencies are initially recorded by the Company at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date.

Exchange differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss with the exception of the following: -

Exchange difference on foreign currency borrowings included in the borrowing cost when they are regarded as an adjustment to interest costs on those foreign currency borrowings.

#### Conversion

Foreign currency monetary items are reported using the closing rate. Non-monetary items which are carried in terms of historical cost denominated in a foreign currency, are reported using the exchange rate at the date of the transaction.

### 2.11 Employee benefits

#### a. Short term employee benefits

Short-term employee benefits are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

#### b. Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. The Company makes specified monthly contributions towards Government administered provident fund scheme and also towards superannuation scheme. Obligations for contributions to defined contribution plans are recognised as an employee benefit expense in profit or loss in the periods during which the related services are rendered by employees.

#### c. Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Company's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

For defined benefit plan, the cost of providing benefits is determined annually by qualified actuary using the projected unit credit method, with actuarial valuations being carried out at the end of each annual reporting period. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of government bonds.

## Notes to the standalone financial statements (contd...)

Remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling (if applicable) and the return on plan assets (excluding interest), is reflected in the balance sheet with a charge or credit recognised in other comprehensive income (OCI) in the period in which they occur. Remeasurement recognised in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to the statement of profit and loss. Past service cost is recognised in the statement of profit and loss in the period of a plan amendment. Net interest are recognised in OCI. The Company determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognised in profit or loss. Defined benefit costs are categorised as follows:

- service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlements);
- net interest expense or income; and
- remeasurement of net defined benefit liability

The Company presents the first two components of defined benefit costs in the statement of profit and loss in the line item employee benefits expense.

The defined benefit obligation recognised in the balance sheet represents the actual deficit or surplus in the Company's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the plans or reductions in future contributions to the plans.

### d. Other long-term employee benefits

The Company's net obligation in respect of long-term employee benefits other than post-employment benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and the fair value of any related assets is deducted. The obligation is measured on the basis of an annual independent actuarial valuation using the projected unit credit method. Remeasurements gains or losses are recognised in statement of profit and loss in the period in which they arise.

### 2.12 Revenue recognition

- a. The Company recognises revenue from sale of goods when the title have been passed at which time all the following conditions are satisfied:
  - i) the Company has transferred to the buyer the significant risks and rewards of ownership of the goods;
  - ii) the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
  - iii) the amount of revenue can be measured reliably;
  - iv) it is probable that the economic benefits associated with the transaction will flow to the Company; and
  - v) the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenue is measured at fair value of goods and service provided to customers after deducting for certain incentives including, but not limited to discounts, volume rebates, incentive programs etc.

Shipping and handling amounts invoiced to customers are included in revenue and the related shipping and

## Notes to the standalone financial statements (contd...)

handling costs incurred are included in freight and forwarding expenses when the Company is acting as principal in the shipping and handling arrangement.

Sales include excise duty and are net of sales tax, goods and service tax and other applicable taxes.

- b. Export entitlements in the form of duty drawback, Merchandise Export Incentive Scheme and other schemes are recognized in the statement of profit and loss when the right to receive credit as per the terms of the scheme is established in respect of exports made and when there is no significant uncertainty regarding the ultimate collection of the relevant export proceeds.

Claim on insurance companies and others, where quantum of accrual cannot be ascertained with reasonable certainty, are accounted for on acceptance basis.

- c. Revenue from process of fabrics is recognised on delivery of goods to customers or when the goods are ready for delivery. When goods are partly processed, the expenses so incurred is shown as work-in-progress.
- d. Interest is recognised using effective interest rate method on a time proportion basis.
- e. Dividend income is recognised when the Company's right to receive the payment is established, which is generally when shareholders approve the dividend.

### 2.13 Government grants and subsidies

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

Government grants that compensate the Company for expenses incurred are recognised in the statement of profit and loss, as income or deduction from the relevant expense, on a systematic basis in the periods in which the expense is recognised.

Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred income and are credited to statement of profit and loss on a systematic basis over the expected lives of the related assets to match them with the costs for which they are intended to compensate and presented within other income.

### 2.14 Inventories

#### i Inventories are valued as follows:

Raw materials, dyes and chemicals, stores and spares and consumables	Lower of cost and net realisable value. Cost is determined on a weighted average basis. Cost includes expenditure incurred in acquiring the inventories and other costs incurred in bringing them to their present location and condition. Materials and other items held for use in the production of inventories are not written down below costs, if finished goods in which they will be incorporated are expected to be sold at or above cost.
Work-in-progress, finished goods and stock-in-trade	Lower of cost and net realisable value. Cost includes direct materials, labour, a proportion of manufacturing overheads and an appropriate share of fixed production overheads based on normal operating capacity. Cost of finished goods includes excise duty, wherever applicable.
Waste	At net realisable value.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and to make the sale.

- ii. Provision for obsolete/ old inventories is made, wherever required.
- iii. In view of substantially large number of items in work-in-progress, it is not feasible to maintain the status of

## Notes to the standalone financial statements (contd...)

movement of each item at shop floor on perpetual basis. The Company, however, physically verifies such stocks at the end of every quarter and valuation is made on the basis of such physical verification. The comparison of cost and net realisable value is done on item by item basis.

### iv **Excise duty on job work**

Excise duty is paid on clearance of processed fabrics. No provision for excise duty is made in the accounts for fabrics processed (for work done on job basis for outside parties) and lying in factory premises at the end of the year as the same is recoverable from the parties.

### 2.15 **Trade receivables**

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. If the receivable is expected to be collected within a period of 12 months or less from the reporting date (or in the normal operating cycle of the business, if longer), they are classified as current assets otherwise as non-current assets.

Trade receivables are measured at their transaction price unless it contains a significant financing component in accordance with Ind AS 18 or pricing adjustments embedded in the contract.

Loss allowance for expected life time credit loss is recognised on initial recognition.

### 2.16 **Provisions and contingent liabilities**

#### **Provisions**

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are measured at the best estimate of the expenditure required to settle the present obligation at the balance sheet date.

If the effect of the time value of money is material, provisions are discounted to reflect its present value using a current pre-tax rate that reflects the current market assessments of the time value of money and the risks specific to the obligation. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

#### **Contingent liabilities**

A contingent liability is a possible obligation that arises from a past event, with the resolution of the contingency dependent on uncertain future events, or a present obligation where no outflow is probable. Major contingent liabilities are disclosed in the financial statements unless the possibility of an outflow of economic resources is remote.

### 2.17 **Measurement of fair value**

#### **a Financial instruments**

The estimated fair value of the Company's financial instruments is based on market prices and valuation techniques. Valuations are made with the objective to include relevant factors that market participants would consider in setting a price, and to apply accepted economic and financial methodologies for the pricing of financial instruments. References for less active markets are carefully reviewed to establish relevant and comparable data.

#### **b Marketable and non-marketable equity securities**

Fair value for listed shares is based on quoted market prices as of the reporting date. Fair value for unlisted shares is calculated based on market comparison techniques utilizing significant unobservable data, primarily cash flow based models.

The valuation model is based on market multiples derived from quoted prices of companies comparable to the

## Notes to the standalone financial statements (contd...)

investee and the expected revenue and EBIDTA of the investee. The estimate is adjusted for the effect of the non-marketability of the relevant equity securities.

If fair value cannot be measured reliably unlisted shares are recognized at cost.

### c Derivatives

The Company uses derivative financial instruments, such as forward currency contracts to hedge its foreign currency risks and interest rate risk respectively. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value provided by the respective banks. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Any gains or losses arising from changes in the fair value of derivatives are taken directly to statement of profit and loss.

### 2.18 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial instruments also include derivative contracts such as foreign currency, foreign exchange forward contracts and interest rate swaps.

#### a. Financial assets

##### Initial recognition and measurement

All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

##### Classifications

The Company classifies its financial assets as subsequently measured at either amortised cost or fair value depending on the Company's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

##### Business model assessment

The Company makes an assessment of the objective of a business model in which an asset is held at an instrument level because this best reflects the way the business is managed and information is provided to management.

A financial asset is measured at amortised cost only if both of the following conditions are met:

- a. it is held within a business model whose objective is to hold assets in order to collect contractual cash flows.
- b. the contractual terms of the financial asset represent contractual cash flows that are solely payments of principal and interest.

After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate ('EIR') method. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance income in the profit or loss. The losses arising from impairment are recognised in the profit or loss.

#### b. Equity Instruments

All equity instruments in scope of Ind AS 109 are measured at fair value. On initial recognition an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in fair value in OCI. This election is made on an investment-by-investment basis.

All other Financial Instruments are classified as measured at FVTPL.

## Notes to the standalone financial statements (contd...)

### **Derecognition of financial assets**

A financial asset (or, where applicable, a part of a financial asset or part of a Company of similar financial assets) is primarily derecognised (i.e. removed from the Company's balance sheet) when: The rights to receive cash flows from the asset have expired, or the Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognize the transferred asset to the extent of the Company's continuing involvement. In that case, the Company also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in OCI is recognised in profit or loss.

### **Impairment of financial assets**

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

With regard to trade receivable, the Company applies the simplified approach as permitted by Ind AS 109, financial instruments, which requires expected lifetime losses to be recognised from the initial recognition of the trade receivables.

## **c. Financial liabilities**

### **Initial recognition and measurement**

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, amortised cost, as appropriate.

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

### **Subsequent measurement**

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

#### **Financial liabilities measured at amortised cost**

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in statement of profit and loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs

## Notes to the standalone financial statements (contd...)

that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit and loss.

### **Financial liabilities at fair value through profit or loss**

Financial liabilities at fair value through profit or loss include financial liabilities designated upon initial recognition as at fair value through profit or loss.

### **Derecognition of financial liabilities**

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled, or expired.

## **2.19 Income tax**

Income tax expense comprises current and deferred tax. It is recognised in statement of profit and loss except to the extent that it relates to items recognised directly in equity or in other comprehensive Income.

### **i. Current tax**

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax reflects the best estimates of the tax amount expected to be paid on received after considering the uncertainty, if any, related to income taxes. It is measured using tax rates (and tax laws) enacted or substantively enacted by the reporting date.

Current tax assets and liabilities are offset only if, the Company:

- a) Has a legally enforceable right to set off the recognised amounts; and
- b) Intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

### **ii. Deferred tax**

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

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

Unrecognized deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

## Notes to the standalone financial statements (contd...)

Current and deferred tax are recognised in the statement of profit and loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Minimum Alternative Tax (MAT) is recognized as an asset only when and to the extent there is convincing evidence that the Company will pay normal income tax during the specified period. In the year in which the MAT credit becomes eligible to be recognized as an asset the said asset is created by way of credit to the statement of profit and loss and included in deferred tax assets. The Company reviews the same at each balance sheet date and writes down the carrying amount of MAT entitlement to the extent there is no longer convincing evidence to the effect that Company will pay normal income tax during the specified period.

### 2.20 Leases

#### i) Determining whether an arrangement contains a lease

At inception of an arrangement, it is determined whether the arrangement is or contains a lease.

At inception or on reassessment of the arrangement that contains a lease, the payments and other consideration required by such an arrangement are separated into those for the lease and those for other elements on the basis of their relative fair values. If it is concluded for a finance lease that it is impracticable to separate the payments reliably, then an asset and a liability are recognised at an amount equal to the fair value of the underlying asset. The liability is reduced as payments are made and an imputed finance cost on the liability is recognised using the incremental borrowing rate.

#### ii) Assets held under leases

Leases of property, plant and equipment that transfer to the Company substantially all the risks and rewards of ownership are classified as finance leases. The leased assets are measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the assets are accounted for in accordance with the accounting policy applicable to similar owned assets.

Assets held under leases that do not transfer to the Company substantially all the risks and rewards of ownership (i.e. operating leases) are not recognised in the Company's balance sheet.

#### iii) Lease payments

Payments made under operating leases are generally recognised in profit or loss on a straight-line basis over the term of the lease unless such payments are structured to increase in line with expected general inflation to compensate for the lessor's expected inflationary cost increases.

Minimum lease payments made under finance leases are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

### 2.21 Segment reporting

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

The board of directors of the Company have been identified as being the chief operating decision maker by the management of the Company. Refer note 41 for segment information presented.

### 2.22 Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less.

## Notes to the standalone financial statements (contd...)

For the purposes of the cash flow statement, cash and cash equivalents is as defined above, net of outstanding bank overdrafts.

### 2.23 Earnings per share

Basic earnings per share are calculated by dividing the net profit or loss for the period attributable to equity shareholders (after deducting preference dividends and attributable taxes) by the weighted average number of equity shares outstanding during the period.

For the purpose of calculating diluted earnings per share, the net profit or loss for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares

### 2.24 Recent accounting pronouncements

#### Standards issued but not yet effective

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

The amendment will come into force from 1 April 2018 and the Company is in the process of evaluating the impact on the standalone financial statements.

#### Ind AS 115, Revenue from contracts with customers:

On 28 March 2018, Ministry of Corporate Affairs ("MCA") has notified the Ind AS 115, Revenue from contract with customers. The core principle of the new standard is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

Under Ind AS 115, an entity recognizes revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer.

Moreover, the new standard requires enhanced disclosures about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers.

The effective date for adoption of Ind AS 115 is financial periods beginning on or after 1 April 2018. The Company will adopt the standard on 1 April 2018.

The Company is in process of evaluating the impact on the standalone financial statements.

## Notes to the standalone financial statements (contd...)

## 3. Property, plant and equipment

(₹ in crore)

Particulars	Freehold land	Leasehold land	Buildings	Plant and equipments	Vehicles	Furniture and fixtures	Office equipments	Total	Capital work-in-progress
<b>Gross block</b>									
Balance as at 31 March 2016	22.67	3.90	315.01	539.77	7.43	7.45	4.15	900.38	55.94
Additions	13.58	-	116.35	258.44	0.99	1.84	1.91	393.11	-
Disposals	0.01	-	0.04	1.26	0.26	0.02	0.12	1.71	44.56
<b>Balance as at 31 March 2017</b>	<b>36.24</b>	<b>3.90</b>	<b>431.32</b>	<b>796.95</b>	<b>8.16</b>	<b>9.27</b>	<b>5.94</b>	<b>1291.78</b>	<b>11.38</b>
Additions	2.29	-	17.60	63.72	2.79	1.84	0.85	89.09	-
Disposals	-	-	-	1.91	0.45	0.03	0.03	2.42	1.87
<b>Balance as at 31 March 2018</b>	<b>38.53</b>	<b>3.90</b>	<b>448.92</b>	<b>858.76</b>	<b>10.50</b>	<b>11.08</b>	<b>6.76</b>	<b>1,378.45</b>	<b>9.51</b>
<b>Accumulated depreciation</b>									
<b>Balance as at 31 March 2016</b>	-	0.05	7.73	68.84	1.17	0.95	0.85	79.59	
Additions	-	0.05	9.43	71.33	1.27	1.50	1.29	84.87	
Disposals	-	-	-	0.09	0.05	-	0.02	0.16	
<b>Balance as at 31 March 2017</b>	<b>-</b>	<b>0.10</b>	<b>17.16</b>	<b>140.08</b>	<b>2.39</b>	<b>2.45</b>	<b>2.12</b>	<b>164.30</b>	
Additions	-	0.05	12.93	89.56	1.29	1.29	1.36	106.48	
Disposals	-	-	-	0.36	0.23	0.01	0.01	0.61	
<b>Balance as at 31 March 2018</b>	<b>-</b>	<b>0.15</b>	<b>30.09</b>	<b>229.28</b>	<b>3.45</b>	<b>3.73</b>	<b>3.47</b>	<b>270.17</b>	
<b>Net block</b>									
Balance as at 31 March 2017	36.24	3.80	414.16	656.87	5.77	6.82	3.82	1,127.48	11.38
<b>Balance as at 31 March 2018</b>	<b>38.53</b>	<b>3.75</b>	<b>418.83</b>	<b>629.48</b>	<b>7.05</b>	<b>7.35</b>	<b>3.29</b>	<b>1,108.28</b>	<b>9.51</b>

## Notes

- In case of Kathua unit leasehold land having carrying value as at 31 March 2018 and 31 March 2017 ₹ 2.58 crore and ₹ 2.61 crore respectively (Original cost ₹ 2.92 crore) and in case of Baddi unit freehold land having carrying value as at 31 March 2018 and 31 March 2017 ₹ 0.08 crore (Original cost ₹ 0.08 crore) are pending for registration in the name of the Company.
- Property plant and equipment includes share of the Company in a holiday home at Haridwar jointly owned with other corporates having carrying value as at 31 March 2018- ₹ 0.60 crore and 31 March 2017 - ₹ 0.64 crore respectively (Original cost ₹ 1.12 crore).
- Borrowing cost capitalized amounting to ₹ 0.50 crore (31 March 2017: ₹ 12.85 crore) under the head plant and equipment and building (refer note 43).
- Property, plant and equipment given as security for borrowings refer note 19 (a).

## Notes to the standalone financial statements (contd...)

### 4. Intangible assets

(₹ in crore)

Particulars	Gross Block			Depreciation			Net Block		
	As at 31 March 2017	Additions	Deletions	As at 31 March 2018	As at 31 March 2017	Additions	Deletions	As at 31 March 2018	As at 31 March 2017
<b>Software</b>	0.85	0.64	-	1.49	0.30	0.10	-	0.40	0.55

Particulars	Gross Block			Depreciation			Net Block		
	As at 31 March 2016	Additions	Deletions	As at 31 March 2017	As at 31 March 2016	Additions	Deletions	As at 31 March 2017	As at 31 March 2016
<b>Software</b>	0.65	0.23	0.03	0.85	0.15	0.15	-	0.30	0.50

### A. Additional disclosure as per previous GAAP

#### Property, plant and equipment

(₹ in crore)

Particulars	As at 31 March 2017			As at 31 March 2018		
	Gross Block	Accumulated depreciation	Net Block	Gross Block	Accumulated depreciation	Net Block
Freehold land	36.25	0.01	36.24	38.54	0.01	38.53
Leasehold land	4.46	0.66	3.80	4.46	0.71	3.75
Buildings	487.03	72.87	414.16	504.63	85.80	418.83
Plant and equipments	1,404.47	747.60	656.87	1,453.17	823.69	629.48
Vehicles	11.25	5.48	5.77	13.19	6.14	7.05
Furniture and fixtures	17.14	10.32	6.82	18.77	11.42	7.35
Office equipments	12.62	8.80	3.82	15.26	9.97	3.29
<b>Total</b>	<b>1,973.22</b>	<b>845.74</b>	<b>1,127.48</b>	<b>2,046.02</b>	<b>937.74</b>	<b>1,108.28</b>
Capital work-in-progress	11.38	-	11.38	9.51	-	9.51
<b>Total</b>	<b>1,984.60</b>	<b>845.74</b>	<b>1,138.86</b>	<b>2,055.53</b>	<b>937.74</b>	<b>1,117.79</b>

#### Intangible assets

(₹ in crore)

Particulars	As at 31 March 2017			As at 31 March 2018		
	Gross Block	Accumulated depreciation	Net Block	Gross Block	Accumulated depreciation	Net Block
<b>Intangible assets</b>						
Software	5.71	5.16	0.55	6.35	5.26	1.09
<b>Total</b>	<b>5.71</b>	<b>5.16</b>	<b>0.55</b>	<b>6.35</b>	<b>5.26</b>	<b>1.09</b>

## Notes to the standalone financial statements (contd...)

**B. Additions/ Capital work-in-progress includes Pre-operative expenses and Trial run expenses incurred during construction period related to expansion projects are as under :** (₹ in crore)

Particulars	For the year ended 31 March 2018		For the year ended 31 March 2017	
<b>Pre-operative expenses other than trial run</b>				
Salaries, wages and bonus		0.15		2.06
Contribution to provident and other funds		0.01		0.09
Consumption of stores and spares		-		0.15
Power, fuel and water charges		0.02		1.54
Insurance		-		0.17
Miscellaneous expenses		-		6.27
Interest expenses		0.38		14.51
Other borrowing cost		-		0.37
<b>Trial run expenses</b>				
Salaries, wages and bonus		0.02		4.96
Contribution to provident and other funds				0.54
Cost of materials consumed		0.43		50.76
Consumption of stores and spares		0.02		1.42
Power, fuel and water charges		0.01		9.15
Freight and forwarding expenses		-		0.90
Selling commission and brokerage		-		0.14
Miscellaneous expenses		-		0.15
		<b>1.04</b>		<b>93.18</b>
<b>Less :</b>				
Sale of product	0.37		46.16	
Waste sales	-	0.37	2.64	48.80
<b>Inventories as at 1 December 2017 (previous year on 14 March 2017) :</b>				
Work-in-progress	0.13		5.76	
Finished goods (including waste)		0.13	13.44	19.20
		<b>0.54</b>		<b>25.18</b>
Less : Allocated to property, plant and equipment during the year		<b>0.54</b>		<b>25.18</b>
<b>Balance carried forward pending for allocation</b>		-		-

## Notes to the standalone financial statements (contd...)

### 5. Investments

(₹ in crore)

	As at 31 March 2018	As at 31 March 2017
<b>A. Investment in equity instruments (fully paid-up) valued at FVTPL</b>		
<b>Unquoted</b>		
50 (31 March 2017: 50) equity shares of The Jhalawar Nagrik Sahkari Bank Ltd. of ₹ 100 each *	–	–
	–	–
*The total amount of investments in absolute value is ₹ 5,000, but for reporting purpose rounded up to ₹ 0 crore.		
<b>B. Investment in wholly owned subsidiary (fully paid up) valued at cost</b>		
<b>Unquoted</b>		
4,500 (31 March 2017: Nil) equity shares of Sutelej Holdings Inc. of \$1000 each	30.64	–
	30.64	–
<b>Total investments measured at amortised cost (A+B)</b>	<b>30.64</b>	<b>–</b>
<b>C. Investment in preference shares (fully paid up) [refer note 46(I)] valued at FVTPL</b>		
<b>Unquoted</b>		
48,700,000 (31 March 2017: 48,700,000) 8.5% Non-Convertible Cumulative Redeemable Preference shares of Avadh Sugar & Energy Limited of ₹ 10 each	50.38	27.58
1,300,000 (31 March 2017: 1,300,000) 8.5% Non-Convertible Cumulative Redeemable Preference shares in Palash Securities Limited of ₹ 10 each	0.59	0.74
<b>Total investments measured at fair value through profit and loss</b>	<b>50.97</b>	<b>28.32</b>
<b>Aggregate value of unquoted investment</b>	<b>81.61</b>	<b>28.32</b>
<b>Aggregate value of impairment in the value of investments</b>	<b>–</b>	<b>–</b>

### 6 Loans

(₹ in crore)

	As at 31 March 2018	As at 31 March 2017
Unsecured, considered good unless stated otherwise		
Security deposits	4.28	4.37
	4.28	4.37

### 7 Non current tax assets (net)

(₹ in crore)

	As at 31 March 2018	As at 31 March 2017
Income tax refund receivable	0.15	0.02
	0.15	0.02

## Notes to the standalone financial statements (contd...)

### 8 Other non-current assets

(₹ in crore)

	As at 31 March 2018	As at 31 March 2017
Unsecured, considered good unless stated otherwise		
Capital advances	1.81	4.04
Prepaid expenses	0.30	0.27
	<b>2.11</b>	<b>4.31</b>

### 9 Inventories

(₹ in crore)

	As at 31 March 2018	As at 31 March 2017
(Valued at lower of cost and net realisable value)		
Raw materials	194.63	235.36
Dyes and chemicals	6.30	5.10
Work-in-progress	78.62	72.41
Finished goods	198.86	191.83
Stock in trade	3.72	1.89
Stores, spare-parts and consumables	21.45	21.17
Waste	3.01	2.16
	<b>506.59</b>	<b>529.92</b>
<b>Goods in transit included in above inventories are as under :</b>		
Raw materials	13.58	25.54
Stores, spares and consumables	0.84	0.62

(a) Inventories are hypothecated to secured borrowings (refer note 19 and 24)

(b) Write down of inventories (net of reversal) to net realisable value related to raw materials, work-in-progress and finished goods amounted to ₹ 1.70 crore (31 March 2017 ₹ 5.51 crore). These were recognized as expense during the year and included in 'Cost of materials consumed' and 'Changes in inventories of finished goods, stock-in-trade and work-in-progress' in the statement of profit and loss.

### 10 Trade receivables

(₹ in crore)

	As at 31 March 2018	As at 31 March 2017
Unsecured, considered good unless stated otherwise		
Considered good	325.32	242.09
Considered doubtful	1.41	1.68
Less: Loss allowance for doubtful balances	(1.41)	(1.68)
	<b>325.32</b>	<b>242.09</b>

(a) Trade receivables are hypothecated to secured current borrowings (refer note 24)

(b) No trade or other receivables are due from directors or other officers of the Company either severally or jointly with any other person. Further, no trade or other receivables are due from firms or private companies respectively in which any director is a partner, or director or member.

(c) The Company's exposure to credit and currency risk, and loss allowances related to trade receivables are disclosed in note 46 II.

## Notes to the standalone financial statements (contd...)

### 11 Cash and cash equivalents

(₹ in crore)

	As at 31 March 2018	As at 31 March 2017
Balance with banks:		
- In current accounts	0.76	1.72
Cash on hand	0.17	0.30
	<b>0.93</b>	<b>2.02</b>

### 12 Bank balances other than cash and cash equivalents

(₹ in crore)

	As at 31 March 2018	As at 31 March 2017
<b>Earmarked balances with banks:</b>		
Unpaid dividend account	1.20	1.03
Deposits with remaining maturity for more than 3 months but less than 12 months	0.55	0.51
	<b>1.75</b>	<b>1.54</b>

### 13 Loans (current)

(₹ in crore)

	As at 31 March 2018	As at 31 March 2017
Unsecured, considered good unless stated otherwise		
Security deposits	0.53	0.85
	<b>0.53</b>	<b>0.85</b>

### 14 Other current financial assets

(₹ in crore)

	As at 31 March 2018	As at 31 March 2017
Unsecured, considered good unless stated otherwise		
Advances recoverable in cash	5.49	3.40
Derivative assets	-	2.77
Interest accrued on deposits	0.19	0.19
	<b>5.68</b>	<b>6.36</b>

## Notes to the standalone financial statements (contd...)

### 15 Other current assets

(₹ in crore)

	As at 31 March 2018	As at 31 March 2017
Unsecured, considered good unless stated otherwise		
Balances with government authorities	52.22	23.63
Duty paid under protest	0.02	-
Less: Provision for doubtful	-	(1.20)
	<b>52.24</b>	<b>22.43</b>
Export benefits/ claims receivable	54.60	32.17
Less: Provision for doubtful	(0.16)	(0.16)
	<b>54.44</b>	<b>32.01</b>
Others	-	0.42
Less: Provision for doubtful @	-	(0.42)
	-	-
Prepaid expenses	2.20	1.92
Government subsidies receivable	15.44	22.04
Advances to suppliers	9.36	7.30
	<b>133.68</b>	<b>85.70</b>
<b>@Movement in allowance for bad and doubtful balances:-</b>		
<b>Balance as at the beginning of the year</b>	0.42	0.42
Add: - Allowance for bad and doubtful balances	-	-
Less: - Provision utilised	(0.42)	-
<b>Balance as at the end of the year</b>	-	<b>0.42</b>

### 16 Assets classified as held for sale

(₹ in crore)

	As at 31 March 2018	As at 31 March 2017
Plant and equipment held for sale	0.24	0.26
	<b>0.24</b>	<b>0.26</b>

During the year, the Company has decided to sell a part of obsolete plant and equipment which was originally purchased for production and manufacturing. The sale is expected to be completed within next financial year. The assets are presented within total assets of the bearing segment. There are no liabilities attached to these assets.

#### Non – current fair value measurements :

Assets classified as held for sale during the reporting period are measured at lower of its carrying amount and fair value less cost to sell at the time of reclassification. Fair value of the assets was determined using expected market realizable value using past trend and management assessment. This is a level 3 measurement and key inputs under this approach are price per asset comparable for the machine in similar business and technology.

## Notes to the standalone financial statements (contd...)

### 17 Equity Share capital

(₹ in crore)

	As at 31 March 2018	As at 31 March 2017
<b>Authorised:</b>		
500,000,000 equity shares of ₹ 1/- each (As at 31 March 2017: 50,000,000 of ₹ 10/- each) {Refer note 17(f)}	50.00	50.00
<b>Issued, subscribed and fully paid up:</b>		
163,828,620 equity Shares of ₹ 1/- each (As at 31 March 2017: 16,382,862 of ₹ 10/- each) {Refer note 17(f)}	16.38	16.38
	<b>16.38</b>	<b>16.38</b>

#### a. Terms and rights attached to equity shares

Each holder of equity shares is entitled to one vote per share. In the event of liquidation of the Company, the holders of equity shares will be entitled to receive remaining assets of the Company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders. There is no restriction on distribution of dividend. However, same is subject to the approval of the shareholders in the Annual General Meeting.

#### b. Reconciliation of number of shares outstanding at the beginning and end of the year :

(₹ in crore)

	As at 31 March 2018		As at 1st April 2017	
	No. of Shares	Amount	No. of Shares	Amount
Balance at the beginning of the year	1,63,82,862	16.38	1,63,82,862	16.38
Add: Increase in number of shares on account of stock split {Refer note 17(f)}	14,74,45,758	-	-	-
Balance at the end of the year	16,38,28,620	16.38	1,63,82,862	16.38

#### c. Shares held by Holding Company or its ultimate holding company or subsidiaries or associates of the holding company or the ultimate holding company in aggregate.

There are no holding or ultimate holding company of the Company.

#### d. Shareholders holding more than 5% shares in the company

(₹ in crore)

	As at 31 March 2018		As at 1st April 2017	
	No. of Shares	Percentage	No. of Shares	Percentage
Uttar Pradesh Trading Company Limited.	3,04,16,970	18.57%	30,41,697	18.57%
Hargaon Investment & Trading Company Limited	1,71,13,960	10.45%	17,11,396	10.45%
New India Retailing and Investment Limited	1,70,63,040	10.42%	17,06,304	10.42%
Yashovardhan Investment and Trading Company Limited	1,48,68,360	9.08%	14,86,836	9.08%
Birla Institute of Technology and Science	1,12,86,580	6.89%	11,28,658	6.89%
Earthstone Holding (Two) Private Limited	98,03,690	5.98%	9,80,369	5.98%
Ronson Traders Limited	97,23,730	5.94%	9,72,373	5.94%

## Notes to the standalone financial statements (contd...)

**e. Aggregate number of bonus shares issued, for consideration other than cash, during the period of five years immediately preceding the reporting period -**

Company had allotted 54,609,540 equity shares of ₹ 5.46 crore, fully paid up as bonus shares on 1 July 2013.

**f. Pursuant to the shareholders approval dated 31 August 2017, the Company has sub-divided its equity shares of face value of ₹10/- each into equity shares of face value of ₹1/- each for which 27 September 2017 was fixed as recorded date. Accordingly, the basic and diluted earning per share and the number of share disclosed in note number 39 have been computed for the current year and recomputed for the previous year based on the revised number of shares and face value of ₹1/- per equity share.**

### 18 Other equity

(₹ in crore)

	As at 31 March 2018	As at 31 March 2017
<b>a. General reserve</b>		
Balance at the beginning of the year	166.06	150.06
Add: Transferred from retained earnings	12.00	16.00
<b>Balance at the end of the year</b>	<b>178.06</b>	<b>166.06</b>
<b>b. Retained earnings</b>		
Balance at the beginning of the year	634.34	518.03
Profit for the year	113.13	157.94
Less: Dividend on equity shares (including tax thereon)	(25.63)	(25.63)
Less: transferred to general reserve	(12.00)	(16.00)
	<b>709.84</b>	<b>634.34</b>
<b>c. Other comprehensive income</b>		
Balance at the beginning of the year	(0.81)	(1.14)
Addition during the year	3.11	0.33
<b>Balance at the end of the year</b>	<b>2.30</b>	<b>(0.81)</b>
	<b>890.20</b>	<b>799.59</b>

#### Nature and purpose of other reserves/ other equity

##### General reserve

The Company appropriates a portion to general reserves out of the profits voluntarily to meet future contingencies. The said reserve is available for payment of dividend to the shareholders as per the provisions of the Companies Act, 2013.

##### Retained earnings:

Retained earnings are the profit that the Company has earned till date, less any transfers to general reserve, dividends or other distributions paid to investors.

##### Other comprehensive income

Remeasurements of defined benefit plans represents the following as per Ind AS 19, Employee Benefits:

- (a) actuarial gains and losses
- (b) the return on plan assets, excluding amounts included in net interest on the net defined benefit liability (asset); and
- (c) any change in the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability (asset)

## Notes to the standalone financial statements (contd...)

### Dividend

The following dividends were declared and paid by the Company for the year (₹ in crore)

	For the year ended 31 March 2018	For the year ended 31 March 2017
Final dividend for the year ended 31 March 2017 ₹ 13 per equity share of 10 each (31 March 2016 ₹ 13 per equity share of 10 each)	21.29	21.29
Dividend Distribution tax on final dividend	4.34	4.34
	<b>25.63</b>	<b>25.63</b>

After the reporting date the following dividend was proposed by the Board of Directors of the Company subject to the approval of shareholders of the Company at its Annual General Meeting; Accordingly, the dividend have not been recognized as liabilities. Dividends should attract corporate dividend tax when declared:

(₹ in crore)

	For the year ended 31 March 2018	For the year ended 31 March 2017
Proposed final dividend for the year ended 31 March 2018 ₹ 1.30 per equity share of 1 each ** (Previous year ₹ 13 per equity share of 10 each)	21.29	21.29
Dividend distribution tax on final dividend	4.38	4.34
	<b>25.67</b>	<b>25.63</b>

\*\*On 11 May 2018, the Board of Directors of the Company has recommended a final dividend of ₹ 1.30 per share (face value of ₹ 1 per share) for the financial year ended 31 March 2018, subject to approval of the shareholders in the upcoming Annual General Meeting of the Company.

### 19 Non-current borrowings

(₹ in crore)

	As at 31 March 2018	As at 31 March 2017
Term loans (Secured)		
- From banks	509.15	513.04
	<b>509.15</b>	<b>513.04</b>

#### a. Securities

Term loans are secured by first equitable mortgage ranking pari-passu over the Company's immovable properties situated at Bhawanimandi (Rajasthan), Kathua (Jammu & Kashmir), Baddi (Himachal Pradesh) and Daheli (Gujarat) and moveable assets (save and except book debts) both present and future, subject to prior charges created/to be created in favour of bankers on moveable's including book debts for securing working capital borrowings.

## Notes to the standalone financial statements (contd...)

**b. Terms of repayment and interest are as follows :**

(₹ in crore)

Secured loan from	Repayment frequency	Year of maturity	Rate of interest p.a.	As at 31 March 2018	As at 31 March 2017
Punjab National Bank, Kota	Quarterly	FY 2019 to 2025	8.45	111.12	148.12
Bank of Maharashtra, Jaipur	Quarterly	FY 2019	8.75	194.88	168.59
Jammu & Kashmir Bank, Kathua	Quarterly	FY 2022 to 2024	8.55	126.07	147.92
ICICI Bank, Kolkatta	Quarterly	FY 2020	9.15	1.22	2.02
State Bank of India, Mumbai	Quarterly	FY 2023	9.75	11.62	14.12
State Bank of Hyderabad, Delhi	Quarterly	Paid		-	3.75
United Bank, Delhi	Quarterly	FY 2019 to 2024	8.80	15.10	22.95
HDFC, Jaipur	Quarterly	FY 2023 to 2024	8.15	146.19	96.18
				<b>606.20</b>	<b>603.65</b>
<b>Less : Current maturities of long term debt (refer note 26)</b>				<b>97.05</b>	<b>90.61</b>
				<b>509.15</b>	<b>513.04</b>

c. The Company's exposure to interest rate, foreign currency and liquidity risk is included in note 46.

### 20 Other non-current financial liabilities

(₹ in crore)

	As at 31 March 2018	As at 31 March 2017
Trade deposits	5.78	5.75
Employee security deposits	0.14	0.08
	<b>5.92</b>	<b>5.83</b>

### 21 Provisions

(₹ in crore)

	As at 31 March 2018	As at 31 March 2017
Provision for compensated absences	8.95	8.63
	<b>8.95</b>	<b>8.63</b>

## Notes to the standalone financial statements (contd...)

### 22 Deferred tax liabilities (net)

#### A. Movement in deferred tax balances:

(₹ in crore)

Secured loan from	As at 31 March 2017	Recognized during the year	Utilised during the year	As at 31 March 2018
<b>Deferred tax assets</b>				
MAT credit entitlement @ /#	62.09	13.79	5.06	70.82
Disallowance u/s 43B of Income Tax Act, 1961	11.87	2.13	-	14.00
Others (provision for doubtful debts, provision for change in fair valuation of preference shares and others)	8.77	(7.91)	-	0.86
<b>Sub- Total (a)</b>	<b>82.73</b>	<b>8.01</b>	<b>5.06</b>	<b>85.68</b>
<b>Deferred tax liabilities</b>				
Property, plant and equipment: Impact of difference between Income tax depreciation and book depreciation	84.25	23.70	-	107.95
<b>Sub- Total (b)</b>	<b>84.25</b>	<b>23.70</b>	<b>-</b>	<b>107.95</b>
<b>Net deferred tax liability (b)-(a)</b>	<b>1.52</b>	<b>15.69</b>	<b>(5.06)</b>	<b>22.27</b>

(₹ in crore)

	As at 31 March 2016	Recognized during the year	As at 31 March 2017
<b>Deferred tax assets</b>			
MAT credit entitlement @ /#	39.05	23.04	62.09
Disallowance u/s 43B of Income Tax Act, 1961	10.08	1.79	11.87
Others (provision for doubtful debts, provision for change in fair valuation of preference shares and others)	9.12	(0.35)	8.77
<b>Sub- Total (a)</b>	<b>58.25</b>	<b>24.48</b>	<b>82.73</b>
<b>Deferred tax liabilities</b>			
Property, plant and equipment: Impact of difference between tax depreciation and book depreciation	68.94	15.31	84.25
<b>Sub- Total (b)</b>	<b>68.94</b>	<b>15.31</b>	<b>84.25</b>
<b>Net deferred tax liability (b)-(a)</b>	<b>10.69</b>	<b>(9.17)</b>	<b>1.52</b>

@ Represents that portion of MAT credit, which can be recovered and set off in subsequent years as per provisions of Section 115JAA of the Income Tax Act, 1961. The management, based on the present trend of profitability and the future profitability projections, opines that there would be sufficient taxable income in future, which will enable the Company to utilize MAT credit entitlements.

# On the basis of earlier decision of CIT (Appeals)/ ITAT given in favor of the Company in respect of claims filed for considering certain subsidies received as capital subsidies, during the year the Company has taken credit of MAT entitlements of ₹ 7.06 crore relating to financial years 2014-15 (previous year ₹ 15.16 crore).

## Notes to the standalone financial statements (contd...)

### B. Amounts recognised in statement of profit and loss

(₹ in crore)

	For the year ended 31 March 2018	For the year ended 31 March 2017
<b>Current tax expense</b>		
Current tax	28.06	39.69
	<b>28.06</b>	<b>39.69</b>
<b>Deferred tax expense</b>		
Origination and reversal of temporary differences	15.69	(9.17)
	<b>15.69</b>	<b>(9.17)</b>
<b>Total Tax Expense</b>	<b>43.75</b>	<b>30.52</b>

### C. Amounts recognised in other comprehensive income

(₹ in crore)

	For the year ended 31 March 2018			For the year ended 31 March 2017		
	Before tax	Tax (Expense)/ Income	Net of tax	Before tax	Tax (Expense)/ Income	Net of tax
Remeasurements of defined benefit liability	4.75	(1.64)	3.11	0.51	(0.18)	0.33
	<b>4.75</b>	<b>(1.64)</b>	<b>3.11</b>	<b>0.51</b>	<b>(0.18)</b>	<b>0.33</b>

### D. Reconciliation of effective tax rate

(₹ in crore)

	For the year ended 31 March 2018 Amount	For the year ended 31 March 2017 Amount
<b>Profit before tax from operations</b>	<b>156.88</b>	<b>188.46</b>
Tax using the Company's domestic tax rate @34.61% (31 March 2017: 34.61%)	54.30	65.22
Tax effect of:		
Non-deductible expenses	2.37	2.69
Tax on exempt income	(8.46)	(0.01)
Tax incentives	(4.12)	(18.76)
MAT credit entitlement related to earlier years	(7.06)	(15.16)
Deferred tax created due to levy of 1% additional cess on income w.e.f. Assessment year 2019-20	0.91	-
Previously unrecognised deferred tax now recognised	3.15	-
Others- MAT credit utilised, disallowance u/s 14A of the Income tax act, 1961, etc.	2.66	(3.46)
<b>Income tax expenses reported in the statement of profit and loss</b>	<b>43.75</b>	<b>30.52</b>

[Effective tax rate of 27.89% (previous year 16.19%)]

## Notes to the standalone financial statements (contd...)

### 23 Other non-current liabilities

(₹ in crore)

	As at 31 March 2018	As at 31 March 2017
Deferred government grants (refer note 40 B (b))		
- Capital subsidy sanctioned by Ministry of Textiles under TUFS on specific plant and equipment	8.47	9.11
	<b>8.47</b>	<b>9.11</b>
Balance at the beginning of the year	9.11	2.13
Grant received during the year	0.35	7.48
Grant amortized and transferred to statement of profit and loss	(0.99)	(0.50)
<b>Balance at the end of the year</b>	<b>8.47</b>	<b>9.11</b>

### 24 Current borrowings

(₹ in crore)

	As at 31 March 2018	As at 31 March 2017
Loan repayable on demand (Secured)*		
- From banks	396.76	333.73
Bills discounted**	41.35	16.67
Commercial papers (Unsecured)	-	79.06
	<b>438.11</b>	<b>429.46</b>

\* Working capital facilities from banks are secured/to be secured by hypothecation of moveable's including book debts, respective both present and future, of the unit, ranking pari-passu inter se.

\*\* Bills discounted are secured against the books debts which have been discounted.

### 25 Trade payables

(₹ in crore)

	As at 31 March 2018	As at 31 March 2017
Total outstanding dues of Micro and Small Enterprises #	1.31	0.90
Due to others	96.12	70.66
<b>Total</b>	<b>97.43</b>	<b>71.56</b>
#Dues to Micro and Small Enterprises (as per the intimation received from vendors):		
a. Principal and interest amount remaining unpaid.	1.31	0.90
b. Interest due thereon remaining unpaid.	-	-
c. Interest paid by the Company in terms of Section 16 of the Micro, Small and Medium Enterprises Development Act, 2006, along with the amount of the payment made to the supplier beyond the appointed day.	-	-
d. Interest due to payable for the period of delay in making payment (which have been paid but beyond the appointed day during the period) but without adding interest specified under the Micro, Small and Medium Enterprises Act, 2006.	-	-
e. Interest accrued and remaining unpaid.	-	-
f. Interest remaining due to payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprises.	-	-
	<b>1.31</b>	<b>0.90</b>

## Notes to the standalone financial statements (contd...)

### 26 Other financial liabilities

(₹ in crore)

	As at 31 March 2018	As at 31 March 2017
Current maturities of long-term debt (refer note 19)	99.90	93.72
{Includes interest accrued and due on borrowings 31 March 2018: ₹ 2.85 crore (31 March 2017: ₹ 3.11 crore)}		
Unpaid dividend	1.20	1.03
Employees liabilities	39.47	38.23
Derivative liabilities	0.70	-
Creditors for capital goods	5.36	14.13
Security deposits	2.47	3.90
Director's commission	0.23	0.23
Others	2.69	0.88
	<b>152.02</b>	<b>152.12</b>

### 27 Other current liabilities

(₹ in crore)

	As at 31 March 2018	As at 31 March 2017
Advances received from customers	6.58	11.03
Statutory dues	7.90	8.56
	<b>14.48</b>	<b>19.59</b>

### 28 Provisions

(₹ in crore)

	As at 31 March 2018	As at 31 March 2017
Compensated absences	3.67	3.54
Gratuity	0.19	-
Others - Contingencies	12.60	12.81
	<b>16.46</b>	<b>16.35</b>

#### Others - Contingencies

Provision for disputed statutory matters have been made, where the Company anticipates probable outflow. The amount of provision is based on estimate made by the Company considering the facts and circumstances of each case. The timing and amount of cash flow will be determined by the relevant authorities on settlement of cases.

The movement of provisions is presented below:

(₹ in crore)

	As at 31 March 2017	Addition	Reversal/ paid	As at 31 March 2018
Other contingencies	12.81	0.29	0.50	12.60
<b>Closing balance</b>	<b>12.81</b>	<b>0.29</b>	<b>0.50</b>	<b>12.60</b>

(₹ in crore)

	As at 31 March 2016	Addition	Reversal/ paid	As at 31 March 2017
Other contingencies	18.02	0.92	6.13	12.81
<b>Closing balance</b>	<b>18.02</b>	<b>0.92</b>	<b>6.13</b>	<b>12.81</b>

## Notes to the standalone financial statements (contd...)

### 29 Current tax liabilities (net)

(₹ in crore)

	As at 31 March 2018	As at 31 March 2017
Provision for Income tax [net of advance tax of ₹ 130.07 crore (as at 31 March 2017 ₹ 105.22 crore)]	1.91	1.99
	<b>1.91</b>	<b>1.99</b>

### 30 Revenue from operations @

(₹ in crore)

	For the year ended 31 March 2018	For the year ended 31 March 2017
<b>Sale of products (including excise duty)</b>		
Manufactured goods	2,268.73	2,065.94
Traded goods	116.56	106.32
<b>Total (i)</b>	<b>2,385.29</b>	<b>2,172.26</b>
<b>Sale of services</b>		
Job processing	23.72	21.18
Others	10.79	8.09
<b>Total (ii)</b>	<b>34.51</b>	<b>29.27</b>
<b>Total [(iii) = (i) + (ii)]</b>	<b>2,419.80</b>	<b>2,201.53</b>
<b>Other operating revenue</b>		
Export incentives	34.14	48.09
<b>Total (iv)</b>	<b>34.14</b>	<b>48.09</b>
<b>Revenue from operations [(iii) + (iv)]</b>	<b>2,453.94</b>	<b>2,249.62</b>

@ Net of amount transferred to trial run expenses refer note 4 (B).

## Notes to the standalone financial statements (contd...)

### 31 Other income

(₹ in crore)

	For the year ended 31 March 2018	For the year ended 31 March 2017
Interest income from financial assets measured at amortised cost		
- from bank deposits	0.03	0.05
- from inter-corporate deposits	3.68	4.58
- from others	9.14	9.58
Dividend from preference share	4.14	-
Dividend income from investments measured at fair value through profit or loss [Nil (Previous year ₹ 1100 (in absolute value))]	-	
Net fair value gain on financial assets measured at fair value through profit or loss	0.15	-
Profit on sale/discard of property, plant and equipment (net)	1.35	0.74
Excess provisions and unspent liabilities written back	0.91	1.86
Foreign currency transactions and translation (net)	5.69	9.59
Sundry credit balances written back (net)	1.04	0.53
Provision for doubtful debts written back (Previous year ₹ 36,190 (in absolute value))	0.14	-
Insurance claims	1.20	3.09
Deferred government subsidies (refer note 23)	0.99	0.50
Miscellaneous income	5.13	4.46
	<b>33.59</b>	<b>34.98</b>

### 32 Cost of materials consumed @

(₹ in crore)

	For the year ended 31 March 2018	For the year ended 31 March 2017
Raw material consumed	1,220.72	1,095.70
Consumption of dyes and chemical	85.65	88.01
	<b>1,306.37</b>	<b>1,183.71</b>

@ Net of amount transferred to trial run expenses refer note 4 (B).

## Notes to the standalone financial statements (contd...)

### 33 Changes in inventories of finished goods, stock-in-trade and work-in-progress

(₹ in crore)

	For the year ended 31 March 2018	For the year ended 31 March 2017
<b>Closing inventory</b>		
Work-in-progress	78.62	72.41
Finished goods	198.86	191.83
Stock- in- trade	3.72	1.89
Waste	3.01	2.16
<b>Total (A)</b>	<b>284.21</b>	<b>268.29</b>
<b>Opening inventory</b>		
Work-in-progress	72.41	59.65
Finished goods	191.83	160.09
Stock- in- trade	1.89	2.15
Waste	2.16	1.45
<b>Total (B)</b>	<b>268.29</b>	<b>223.34</b>
<b>Add:</b>		
Inventories transferred from trial run production on 1 December 2017 (previous year on 14 March 2017) :		
Work-in-progress	0.13	5.76
Finished goods	-	13.03
Waste	-	0.41
<b>Total (C)</b>	<b>0.13</b>	<b>19.20</b>
Less :GST credit taken on closing stocks as on 30 June 2017 as per provision of the Central Goods and Services Tax Act, 2017.		
Work-in-progress	(3.09)	-
Finished goods	(4.47)	-
<b>Total (D)</b>	<b>(7.56)</b>	<b>-</b>
<b>Total (B-A+C+D)</b>	<b>(23.35)</b>	<b>(25.75)</b>

### 34 Employee benefits expense #

(₹ in crore)

	For the year ended 31 March 2018	For the year ended 31 March 2017
Salaries and wages	264.60	235.60
Contribution to provident and other funds	31.97	27.69
Staff welfare expenses	2.80	2.38
	<b>299.37</b>	<b>265.67</b>

# Net of amount capitalized refer note 4 (B).

## Notes to the standalone financial statements (contd...)

### 35 Finance costs @

(₹ in crore)

	For the year ended 31 March 2018	For the year ended 31 March 2017
Interest expenses #	54.74	43.45
Exchange difference on the principal amount of foreign currency borrowing. *	3.62	1.39
Other borrowing costs	0.76	0.83
	<b>59.12</b>	<b>45.67</b>

@ Net of amount capitalized refer note 43

# Net of interest subsidies under TUF (Technology Upgradation Fund) scheme amounting to ₹ 12.97 crore (31 March 2017 ₹ 8.92 crore).

\* Exchange differences on the principal amount of the foreign currency borrowings to the extent that they are regarded as an adjustment to borrowing costs have been disclosed as "Finance costs".

### 36 Depreciation and amortisation expense

(₹ in crore)

	For the year ended 31 March 2018	For the year ended 31 March 2017
Depreciation on property, plant and equipment	106.48	84.87
Amortisation on intangible assets	0.10	0.15
	<b>106.58</b>	<b>85.02</b>

## Notes to the standalone financial statements (contd...)

### 37 Other expenses @

(₹ in crore)

	For the year ended 31 March 2018	For the year ended 31 March 2017
Processing and job charges	11.36	10.24
Consumption of stores, spares and consumables	75.93	70.09
Power, fuel and water charges	256.18	206.69
Rent (refer note 42)	1.32	0.99
Insurance	6.54	6.67
Rates and taxes	0.72	0.45
Repairs and maintenance:		
Buildings	4.44	7.12
Plant and machinery	28.01	26.12
Others	2.40	2.31
Freight and forwarding expenses	62.58	51.49
Selling commission and brokerage	20.52	19.00
Payments to auditors #	0.65	0.71
Charity and donation ##	0.57	0.50
Loss allowance for doubtful debts	0.13	–
Directors' commission and fees	0.63	0.70
Excise duty	0.45	0.33
Miscellaneous expenses ^	39.21	35.87
	<b>511.64</b>	<b>439.28</b>
<b># Details of payments to auditors*</b>		
As auditor:		
Statutory audit fee	0.39	0.18
Tax audit fee	0.05	0.05
For limited review	0.04	0.05
Certification fee and other matters	0.07	0.05
Re-imbursment of expenses	0.06	0.04
Branch auditors		
Audit fee	–	0.31
Certification fee and other matters	0.03	–
Re-imbursment of expenses	0.01	0.03
	<b>0.65</b>	<b>0.71</b>

@ Net of amount capitalized refer note 4 (B).

## Includes ₹ 0.37 crore given to Samaj Electoral Trust Association. (31 March 2017 ₹ 0.50 crore)

\* Includes ₹ 0.20 crore paid to erstwhile auditors.

### Note:-Details of Corporate social responsibility expenses

(₹ in crore)

	For the year ended 31 March 2018	For the year ended 31 March 2017
(i) Gross amount required to be spend during the year	3.39	3.37
(ii) ^ Amount spent during the year (included in Miscellaneous expenses)		
(a) Construction/ acquisition of any asset	0.78	0.81
(b) On purpose other than (a) above	5.48	5.52
	<b>6.26</b>	<b>6.33</b>

## Notes to the standalone financial statements (contd...)

### 38 Exceptional items #

(₹ in crore)

	For the year ended 31 March 2018	For the year ended 31 March 2017
Net fair value gain on financial assets measured at fair value through profit and loss	22.50	2.34
Dividend on preference share	19.33	-
	<b>41.83</b>	<b>2.34</b>

# Exceptional items for the year ended 31 March 2018 includes dividend income amounting to ₹ 19.33 crore pertaining to the years 2011 to 2016 on investment in Non-Convertible Cumulative Redeemable Preference Shares held in other Company received during the year. It also includes an amount of ₹ 22.50 crore pertaining to increase in valuation of said investment. Consequent to the increase in fair valuation, the resultant deferred tax charge of ₹ 7.50 crore has been disclosed under tax expense. These investments were measured at fair value and resultant impact of decrease in fair valuation of ₹ 17.99 crore (net of taxes) was recognised in retained earnings as at the date of transition (i.e 1 April 2015) and subsequent increases will be recognized in statement of profit and loss. An increase of ₹ 2.34 crore related to year ended 31 March 2017 has been disclosed under exceptional item.

### 39 Earning per share

	For the year ended 31 March 2018	For the year ended 31 March 2017
Profit for the year	113.13	157.94
Weighted average number of equity shares of ₹ 1/- each { Refer note 17 (f)}	16,38,28,620	16,38,28,620
Basic and Diluted (per share in ₹)	<b>6.91</b>	<b>9.64</b>

### 40 Contingent liabilities and commitments

#### A. Contingent liabilities (to the extent not provided for) in respect of:

(₹ in crore)

	As at 31 March 2018	As at 31 March 2017
1. Claim against the Company not acknowledged as debts:		
a) Labour matters (including matter in respect of which stay granted by respective Hon'ble High Court), except for which the liability is unascertainable	4.41	4.31
2. Other matters for which the Company is contingently liable:		
a) Demand raised by Excise Department for various matters	7.13	5.91
b) Demand for Entry tax (penalty and interest) [Net of ₹ 5.74 crore (31 March 2017 ₹ 5.74 crore) provided in accounts/ paid] (refer note 28)	8.87	7.35
c) Liability for non receipt of C form from customers excluding interest and penalty liability	3.65	-
3. The Company has procured certain capital goods under EPCG Scheme at concessional rate of duty. As on 31 March 2018 the Company is contingently liable to pay differential custom duty ₹ 16.50 crore (previous year ₹ 16.22 crore) on such procurement. In view of past export performance and future projections, the management is hopeful of completing the export obligation within stipulated time, and expect no cash outflow on this account.		

Note: (i) Pending resolution of the respective proceedings, it is not practicable for the Company to estimate the timings of cash outflows, if any, in respect of the above as it is determinable only on receipt of judgments/ decisions pending with various forums/ authorities.

## Notes to the standalone financial statements (contd...)

Note: (ii) The Company has reviewed all its pending litigation and proceeding and has adequately provided for where provision required and disclosed as contingent liabilities where applicable, in its financial statements. The Company does not expect the outcome of these proceeding to have a materially adverse effect on its financial position. The Company does not expects any reimbursements in respect of the above contingent liabilities.

### B. Commitments:

(₹ in crore)

	For the year ended 31 March 2018	For the year ended 31 March 2017
a) Estimated amount of contracts remaining to be executed on capital account [net of advances] not provided for	5.42	19.33
b) The Company has availed certain government subsidies/ grants. As per the terms and conditions, the Company has to continue production for specified number of years and others conditions failing which amount of subsidies availed alongwith interest, penalty etc. will have to be refunded.		

## 41 Segment information

### A. Description of segments and principal activities

Segment information is presented in respect of the Company's key operating segments. The operating segments are based on the Company's internal reporting structure. The Board of Directors have been identified as the chief operating decision maker ('CODM'), since they are responsible for all major decision w.r.t. the preparation and execution of business plan, preparation of budget, planning, expansion, alliance, joint venture, merger and acquisition, and expansion of any facility. The Company's board examines the Company's performance both from a product and geographic perspective and have identified two reportable segments of its business:

- Yarn: It comprises of cotton and man made fibres yarn;
- Home textiles : It comprises of home furnishing and fabric processing.

The Company's board reviews the results of each segment on a quarterly basis. The Company's board of directors uses segment result to assess the performance of the operating segments.

### B. Information about reportable segments

Information related to each reportable segment is set out below. Segment EBITDA is used to measure performance because management believes that this information is the most relevant in evaluating the results of the respective segments relative to other entities that operate in the same industries.

(₹ in crore)

Reportable Segments	Yarn		Home Textiles		Total	
	For the Year ended 31 March 2018	For the Year ended 31 March 2017	For the Year ended 31 March 2018	For the Year ended 31 March 2017	For the Year ended 31 March 2018	For the Year ended 31 March 2017
External revenues	2,334.15	2,141.19	119.79	108.43	2,453.94	2,249.62
<b>Segment revenue</b>	<b>2,334.15</b>	<b>2,141.19</b>	<b>119.79</b>	<b>108.43</b>	<b>2,453.94</b>	<b>2,249.62</b>
Segment result	170.21	214.42	(5.80)	7.87	164.41	222.29
Finance costs					59.12	45.67
Unallocated corporate income (net of expenses) *					51.59	11.84
<b>Profit before tax</b>					<b>156.88</b>	<b>188.46</b>
Tax expense					43.75	30.52
<b>Profit after tax</b>					<b>113.13</b>	<b>157.94</b>

\*Year ended 31 March 2018 and 31 March 2017 includes exceptional items of ₹ 41.83 crore and of ₹ 2.34 crore respectively (refer note 38)

## Notes to the standalone financial statements (contd...)

### Other information

(₹ in crore)

	Total assets			Total liabilities		
	Segment assets	Unallocated corporate assets	Total assets	Segment liabilities	Unallocated corporate liabilities	Total liabilities
<b>As at 31 March 2018</b>						
Yarn	1,888.84	–	1,888.84	893.81	–	893.81
Home textiles	191.61	–	191.61	109.75	–	109.75
Unallocated	–	101.30	101.30	–	271.61	271.61
<b>Total</b>	<b>2,080.45</b>	<b>101.30</b>	<b>2,181.75</b>	<b>1,003.56</b>	<b>271.61</b>	<b>1,275.17</b>
<b>As at 31 March 2017</b>						
Yarn	1,812.47	–	1,812.47	822.67	–	822.67
Home textiles	200.98	–	200.98	117.85	–	117.85
Unallocated	–	31.72	31.72	–	288.68	288.68
<b>Total</b>	<b>2,013.45</b>	<b>31.72</b>	<b>2,045.17</b>	<b>940.52</b>	<b>288.68</b>	<b>1,229.20</b>

(₹ in crore)

	Capital expenditure	
	Segment capital expenditure	Total capital expenditure
<b>As at 31 March 2018</b>		
Yarn	75.28	75.28
Home textiles	19.10	19.10
<b>Total</b>	<b>94.38</b>	<b>94.38</b>
<b>As at 31 March 2017</b>		
Yarn	261.84	261.84
Home textiles	60.70	60.70
<b>Total</b>	<b>322.54</b>	<b>322.54</b>

### C. Geographic information

The Yarn and Home Textile segments are managed on a worldwide basis, but operate manufacturing facilities and sales offices primarily in India. The geographic information analyses the Company's revenue by the Company's country of domicile and other countries. In presenting the geographic information, segment revenue has been based on the geographic location of customers and segment assets were based on the geographic location of the assets.

#### a) Revenues from different geographies

(₹ in crore)

	For the year ended 31 March 2018	For the year ended 31 March 2017
<b>Domestic</b>	1,694.92	1,627.62
<b>Export *</b>	724.88	573.91
	2,419.80	2,201.53
<b>Other operating income</b>	34.14	48.09
<b>Segment revenue</b>	<b>2,453.94</b>	<b>2,249.62</b>
<b>* Export</b>		
Turkey	228.46	174.66
Bangladesh	81.13	57.41
Rest of the World	415.29	341.84
	<b>724.88</b>	<b>573.91</b>

## Notes to the standalone financial statements (contd...)

### b) Non-current assets \*\*

(₹ in crore)

	As at 31 March 2018	As at 31 March 2017
India	1,125.27	1,148.09
Rest of the World	–	–
	<b>1,125.27</b>	<b>1,148.09</b>

\*\* Non-current assets exclude financial instruments and tax assets

### 42 Leases

#### Operating lease

The Company's significant leasing arrangements are in respect of operating leases of premises for offices and guesthouses. These leasing arrangements, which are cancellable, are typically for a period of 11 months and are usually renewable on mutually agreeable terms. The Company has recognised expense amounting to ₹ 1.32 crore (31 March 2017 ₹ 0.99 crore)

The Company has entered into agreement to take office on operating lease from a third party. The lease arrangement is for 6 years, including a non-cancellable term of 36 months.

The future minimum lease payments and payment profile of non-cancellable operating leases are as under: -

(₹ in crore)

	As at 31 March 2018	As at 31 March 2017
Not Later than one year	0.44	–
Later than one year but not later than five years	1.95	–
Later than five years	0.08	–
<b>Total</b>	<b>2.47</b>	<b>–</b>

### 43 Borrowing cost

During the year, Company has capitalized borrowing cost amounting to ₹ 0.50 crore (31 March 2017 ₹ 12.85 crore) under head plant and equipment and building. The capitalized rate used to determine the amount of borrowing cost to be capitalized is weighted average interest rate applicable to the entities general borrowing during including term loan and working capital the year is ~6.55 % (31 March 2017 ~6.75%).

### 44 Employee benefits

The Company contributes to the following post-employment defined benefit plans in India.

#### (i) Defined contribution plans:

The Company makes contributions towards provident fund and superannuation fund to a defined contribution benefit plan for qualifying employees. Under the plan, the Company is required to contribute a specified percentage of payroll cost to the benefit plan to fund the benefits.

(₹ in crore)

	For the year ended 31 March 2018	For the year ended 31 March 2017
Contribution to provident fund	17.85	16.50
Contribution to employee's state insurance	5.96	5.06
Contribution to superannuation scheme fund	0.52	0.43

## Notes to the standalone financial statements (contd...)

### (ii) Defined benefit plan:

The Company provides for gratuity for employees in India as per the Payment of Gratuity Act. Employees who are in continuous service for a period of 5 years are eligible for gratuity. The amount of gratuity payable on retirement/ termination is the employees last drawn basic salary per month computed proportionately for 15 days salary multiplied for the number of years of service. Gratuity liability (other than for Baddi unit) is being contributed to the gratuity fund formed by the Company and in case of Baddi unit makes contributions to Group Gratuity cum Life Assurance Schemes administered by the LIC of India.

The most recent actuarial valuation of plan assets and the present value of the defined benefit obligation for gratuity were carried out as at 31 March 2018. The present value of the defined benefit obligations and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

### A. Movement in net defined benefit (asset) liability

The following table shows a reconciliation from the opening balances to the closing balances for net defined benefit (asset) liability and its components:

#### a) Reconciliation of present value of defined benefit obligation: (₹ in crore)

	As at 31 March 2018	As at 31 March 2017
<b>Opening balance</b>	<b>41.52</b>	<b>36.36</b>
Benefits paid	(3.66)	(2.95)
Current service cost	6.56	5.20
Interest income	3.01	2.82
Actuarial loss (gain) arising from:		
- Changes in financial assumptions	(2.60)	1.96
- Changes in experience adjustment	(2.23)	(1.87)
<b>Closing balance</b>	<b>42.60</b>	<b>41.52</b>

#### b) Reconciliation of present value of fair value of plan assets: (₹ in crore)

	As at 31 March 2018	As at 31 March 2017
<b>Opening balance</b>	<b>41.52</b>	<b>36.36</b>
Contributions paid by the employer	1.72	4.69
Benefits paid	(3.66)	(2.95)
Interest income	3.01	2.82
Return on plan assets recognised in OCI	0.01	0.60
<b>Closing balance</b>	<b>42.60</b>	<b>41.52</b>

#### c) Reconciliation of net defined benefit (asset)/ liability: (₹ in crore)

	As at 31 March 2018	As at 31 March 2017
<b>Net defined benefit liability at the beginning of the year</b>	<b>-</b>	<b>-</b>
Total service cost	6.56	5.20
Re-measurements	(4.84)	(0.51)
Contribution paid to the fund	(1.72)	(4.69)
<b>Net defined benefit liability at the end of the year</b>	<b>-</b>	<b>-</b>

## Notes to the standalone financial statements (contd...)

### B. Plan assets

For each major category of plan assets, following is the percentage that each major category constitutes of the fair value of the total plan assets: (₹ in crore)

	As at 31 March 2018	As at 31 March 2017
State/ Govt. of India securities	39%	37%
Corporation Bonds/ Fixed deposits with Banks	10%	14%
Special Deposit Scheme with Bank	8%	9%
HDFC Group unit linked plan-Option B	29%	26%
Other Investments- UTI Master Shares	6%	5%
LIC Fund	8%	9%
	<b>100%</b>	<b>100%</b>

### C. Actuarial assumptions

The following were the principal actuarial assumptions at the reporting date (expressed as weighted averages).

	As at 31 March 2018	As at 31 March 2017
Discount rate	7.88%	7.25%
Expected rate of future salary increase	6.50%	6.50%
Mortality	100% of IALM (2006-08)	
Attrition at ages: -		
-Upto 30 years	3%	3%
-From 31 to 44 years	2%	2%
-Above 44 years	1%	1%

Assumptions regarding future mortality have been based on published statistics and mortality tables.

The Company expects to pay ₹ 6.32 crore (Previous year ₹ 6.42 crore) in contribution to its defined benefit plans in the next year.

### D. Sensitivity analysis

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

(₹ in crore)

	As at 31 March 2018		As at 31 March 2017	
	Increase	Decrease	Increase	Decrease
Discount rate (0.5% movement)	(1.92)	2.10	(2.02)	2.21
Expected rate of future salary increase (0.5% movement)	2.08	(1.92)	2.22	(2.04)

Sensitivities due to mortality and withdrawals are insignificant hence ignored. Sensitivities as to rate of inflation, rate of increase of pensions in payment, rate of increase of pensions before retirement and life expectancy are not applicable being a lump sum benefit on retirement. Although the analysis does not take account of the full distribution of cash flows expected under the plan, it does provide an approximation of the sensitivity of the assumptions shown.

## Notes to the standalone financial statements (contd...)

### Maturity profile of defined benefit obligation

(₹ in crore)

Year	As at 31 March 2018	As at 31 March 2017
0 to 1 year	7.03	5.41
1 to 2 year	0.08	0.57
2 to 3 year	1.04	0.62
3 to 4 year	1.17	0.77
4 to 5 year	1.02	0.78
5 to 6 year	1.01	0.97
6 year onwards	30.55	32.39

#### E. Description of risk exposures:

Defined benefit plans expose the Company to actuarial risks such as: Interest rate risk, salary risk and demographic risk.

- Interest rate risk:** The defined benefit obligation calculated uses a discount rate based on government bonds. If the bond yield falls, the defined benefits obligation will tend to increase.
- Salary risk:** Higher than expected increase in salary will increase the defined benefit obligation.
- Demographic risk:** This is the risk of variability of results due to unsystematic nature of decrements that includes mortality, withdrawals, disability and retirement. The effect of these decrements on the defined benefit obligation is not straight forward and depends on the combination of salary increase, discount rate and vesting criteria. It is important not to overstate withdrawals because in the financial analysis the employee benefit of a short career employee typically costs less per year as compared to a long service employee.

### 45. Related parties

#### A. Related parties and their relationships

##### i Key Managerial Personnel (KMP) and their relatives

Name	Relationship
Mr. C. S. Nopany	Executive Chairman
Mr. U. K. Khaitan	Non-executive Director
Mr. Amit Dalal	Non-executive Director
Mr. Rajan Dalal	Non-executive Director
Mr. Rajiv K. Podar	Non-executive Director
Mr M.H. Rahman	Non-executive Director (up to 09 July 2017)
Smt. Sonu Bhasin	Non-executive Director
Mr. Sukhvir Singh	Non-executive Director (up to 25 October 2017)
Mr. Rohit Dhoot	Non-executive Director (w.e.f. 25 October 2017)
Mr. Bipeen Valame	Whole Time Director and Chief Financial Officer (appointed as CFO w.e.f. 08 November 2016 and appointed as Whole Time Director w.e.f. 09 February 2017)
Mr. S.K. Khandelia	President and Chief Executive Officer

##### ii Subsidiaries of the Company

- Sutlej Holdings, Inc (wholly owned subsidiary) [with effect from 28 September 2017]  
American Silk Mills, LLC (step-down subsidiary) [with effect from 18 October 2017]

## Notes to the standalone financial statements (contd...)

iii **Entity in which KMP has significant influence:**

Magadh Sugar and Energy Limited  
Avadh Sugar & Energy Limited

iv **Entity which is post employment benefit:**

Sutlej Textiles and Industries Employee Gratuity Fund

**B. Transactions with the above in the ordinary course of business**

(₹ in crore)

	For the year ended 31 March 2018	For the year ended 31 March 2017
<b>a) Remuneration to Key Managerial Personnel *</b>		
Mr. C S Nopany		
- Short-term employee benefits	3.00	3.00
- Commission	4.17	6.94
Mr. S.K.Khandelia		
- Short-term employee benefits	5.74	4.60
- Post-employment benefits	1.30	1.10
Mr. Dilip Ghorawat #		
- Short-term employee benefits	-	0.37
- Post-employment benefits	-	0.13
Mr. Bipeen Valame #		
- Short-term employee benefits	0.99	0.31
- post-employment benefits	0.12	0.03

# In previous year employed for part of the year

\* Does not include provisions/ contributions towards gratuity, compensated absences, as applicable as such provisions/ contributions are for the Company as a whole.

(₹ in crore)

	For the year ended 31 March 2018	For the year ended 31 March 2017
<b>b) Director sitting fees</b>		
Mr. C S Nopany	0.03	0.02
Mr. U.K. Khaitan	0.05	0.05
Mr. Amit Dalal	0.06	0.07
Mr. Rajan Dalal	0.04	0.04
Mr. Rajiv K. Podar	0.07	0.07
Mr. M.H. Rahman	0.01	0.05
Ms. Sonu Bhasin	0.04	0.04
Mr. Sukhvir Singh	0.01	0.01
Mr. Rohit Dhoot	0.02	-

## Notes to the standalone financial statements (contd...)

(₹ in crore)

	For the year ended 31 March 2018	For the year ended 31 March 2017
<b>c) Director commission</b>		
Mr. U.K. Khaitan	0.04	0.04
Mr. Amit Dalal	0.04	0.04
Mr. Rajan Dalal	0.04	0.04
Mr. Rajiv K. Podar	0.04	0.04
Mr. M.H. Rahman	0.01	0.04
Ms. Sonu Bhasin	0.04	0.04
Mr. Sukhvir Singh	0.02	0.02
Mr. Rohit Dhoot	0.02	-
<b>d) Rent paid</b>		
Mr. C S Nopany	0.05	0.05
(Including ₹ 0.01 crore (31 March 2017 ₹ 0.01 crore) payable at the year end)		
<b>e) Subsidiaries</b>		
Investment in equity shares of Sutlej Holdings Inc.	30.64	-
<b>Entity in which KMP has significant influence</b>		
<b>f) Inter corporate deposit (ICD) given and repaid (including interest thereof) during the year</b>		
(i) Magadh Sugar and Energy Ltd. - ICD amount	40.00	-
- Interest received on ICD	3.68	
(ii) Upper Ganges Sugar and Industries Ltd. - ICD amount	-	40.00
- Interest received on ICD		4.58
<b>g) Dividend received during the year</b>		
Avadh Sugar & Energy Limited	23.47	-
<b>h) Contribution to gratuity fund during the year</b>	2.70	3.95

## Notes to the standalone financial statements (contd...)

### 46 Financial instruments – Fair values and risk management

#### I. Fair value measurements

##### A. Financial instruments by category

(₹ in crore)

	As at 31 March 2018		As at 31 March 2017	
	FVTPL	Amortised Cost	FVTPL	Amortised Cost
<b>Financial assets</b>				
Investments				
Equity shares of JNSB (₹ 5000 as at 31 March 2018/ 31 March 2017)*	0.00	–	0.00	–
Equity Shares of Sutlej Holdings Inc		30.64	–	–
Preference shares	50.97	–	28.32	–
Non-current loans	–	4.28	–	4.37
Trade receivables	–	325.32	–	242.09
Cash and cash equivalents	–	0.93	–	2.02
Bank balances other than above	–	1.75	–	1.54
Loans	–	0.53	–	0.85
Other current financial assets	–	5.68	2.77	3.59
	<b>50.97</b>	<b>369.13</b>	<b>31.09</b>	<b>254.46</b>
<b>Financial liabilities</b>				
Borrowings	–	509.15	–	513.04
Other non-current financial liabilities	–	5.92	–	5.83
Short terms borrowings	–	438.11	–	429.46
Trade payables	–	97.43	–	71.56
Other current financial liabilities	0.70	151.32	–	152.12
	<b>0.70</b>	<b>1,201.93</b>	<b>–</b>	<b>1,172.01</b>

\*The total amount of investments in absolute value is ₹ 5,000, but for reporting purpose rounded up to ₹ 0.0 crore

The carrying amounts of trade receivables, trade payables, capital creditors and cash and cash equivalents and other bank balances are considered to be the same as their fair values, due to their short-term nature.

The fair values of non-current borrowings are based on discounted cash flows using a current borrowing rate. They are classified as level 3 fair values in the fair value hierarchy due to the use of unobservable inputs, including own credit risk.

For financial assets and liabilities that are measured at fair value, the carrying amounts are equal to the fair values.

There are no transfers between level 1 and level 2 during the year

#### Valuation technique used to determine fair value

Specific valuation techniques used to value financial instruments include:

- the use of quoted market prices or dealer quotes for similar instruments
- the fair value of forward foreign exchange contracts is determined as per valuation provided by the bank
- the fair value of the remaining financial instruments is determined using discounted cash flow analysis.

All of the resulting fair value estimates are included in level 2 except for unlisted equity securities and preference shares, where the fair values have been determined based on present values and the discount rates used were adjusted for counterparty or own credit risk.

## Notes to the standalone financial statements (contd...)

### B. Fair value hierarchy

This section explains the judgments and estimates made in determining the fair values of the financial instruments that are:

- (a) recognised and measured at fair value and
- (b) measured at amortised cost and for which fair values are disclosed in the financial statements.

To provide an indication about the reliability of the inputs used in determining fair value, the Company has classified its financial instruments into the three levels prescribed under the accounting standard. An explanation of each level follows underneath the table.

#### Financial assets and liabilities measured at fair value - recurring fair value measurements (₹ in crore)

	As at 31 March 2018			
	Level 1	Level 2	Level 3	Total
<b>Financial assets</b>				
<b>Financial Investments at FVTPL</b>				
Investments				
Equity shares of JNSB				
(₹ 5000 as at 31 March 2018/ 31 March 2017)*		-	0	0
Preference shares	-	-	50.97	50.97
<b>Total financial assets</b>	-	-	<b>50.97</b>	<b>50.97</b>
<b>Financial liabilities</b>				
Derivative liabilities	-	0.70	-	0.70
<b>Total financial liabilities</b>	-	<b>0.70</b>	-	<b>0.70</b>

\*The total amount of investments in absolute value is ₹ 5,000, but for reporting purpose rounded up to ₹ 0.0 crore

#### Financial assets and liabilities measured at fair value - recurring fair value measurements (₹ in crore)

	As at 31 March 2017			
	Level 1	Level 2	Level 3	Total
<b>Financial assets</b>				
<b>Financial Investments at FVTPL</b>				
Investments				
Equity shares of JNSB				
(₹ 5000 as at 31 March 2018/ 31 March 2017)*	-	-	-	-
Preference shares	-	-	28.32	28.32
Derivative liabilities	-	2.77	-	2.77
<b>Total financial liabilities</b>	-	<b>2.77</b>	<b>28.32</b>	<b>31.09</b>

\*The total amount of investments in absolute value is ₹ 5,000, but for reporting purpose rounded up to ₹ 0.0 crore

There are no transfers between level 1 and level 2 during the year

#### Valuation technique used to determine fair value

Specific valuation techniques used to value financial instruments include:

- the use of quoted market prices or dealer quotes for similar instruments
- the fair value of forward foreign exchange contracts is determined as per valuation provided by the bank
- the fair value of the remaining financial instruments is determined using discounted cash flow analysis.

## Notes to the standalone financial statements (contd...)

All of the resulting fair value estimates are included in level 2 except for unlisted equity securities and preference shares, where the fair values have been determined based on present values and the discount rates used were adjusted for counterparty or own credit risk.

### Fair value measurements using significant unobservable inputs (level 3)

(₹ in crore)

	Unlisted equity shares		Unlisted preference shares	
	As at 31 March 2018	As at 31 March 2017	As at 31 March 2018	As at 31 March 2017
<b>Opening balance *</b>	0.00	–	28.32	25.98
Gains/losses recognised in statement of profit or loss	–	–	22.65	2.34
<b>Closing balance *</b>	<b>0.00</b>	–	<b>50.97</b>	<b>28.32</b>

\*The total amount of investments in absolute value is ₹ 5,000, but for reporting purpose rounded up to ₹ 0.0 crore

### Valuation inputs and relationships to fair value

(₹ in crore)

Type of Financial Instrument	Fair Value as at		Significant unobservable	Probability-weighted range	Sensitivity
	31 March 2018	31 March 2017			
Unquoted preference shares in M/s Avadh Sugar and Energy Limited	50.38	27.58	Risk-adjusted discount rate	8.61% to 10.52%	Change of (+) 48/ (–) 47 basis points - Fair value would changes by ₹ (–) 1.01 and ₹ (+) 1.03 respectively
				(31 March 2017: 8.91% to 9.84%)	{ 31 March 2017 :Change of (+) 40/ (–) 47 basis points - Fair value would changes by ₹ (–) 0.76 and ₹ (+) 0.78 respectively }
Unquoted preference shares in M/s Palash Securities Limited	0.59	0.74	Non Dividend paying shares hence higher Discount rate charged as per RBI Guideline	16%	–
Unquoted equity shares (In equity shares of Co-operative Bank: The Jhalawar Nagrik Sahkari Bank Ltd., Bhawanimandi (₹ 5000 as at 31 March 2018 /31 March 2017)*)	0.00	0.00	–	–	–

\* The total amount of investments in absolute value is ₹ 5,000, but for reporting purpose rounded up to ₹ 0.0 crore. Sensitivity analysis of unlisted equity shares has been ignored being not material.

## Notes to the standalone financial statements (contd...)

### Valuation process

The Company gets the valuations performed from an independent valuer, required for financial reporting purposes, including level 3 fair values.

The main level 3 inputs for unlisted preference shares used by the Company are derived and evaluated as follows:

- Risk adjusted discount rates are estimated based on expected cash inflows arising from the instrument and the entity's knowledge of the business and how the current economic environment is likely to impact it.

Changes in level 2 and 3 fair values are analysed at the end of each reporting year.

### C. Fair value of financial assets and liabilities measured at amortised cost (₹ in crore)

	As at 31 March 2018		As at 31 March 2017	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<b>Financial assets</b>				
Investment in equity shares of Sutlej Holdings Inc	30.64	30.64	-	-
Non current loan	4.28	4.28	4.37	4.37
Trade receivables	325.32	325.32	242.09	242.09
Cash and cash equivalents	0.93	0.93	2.02	2.02
Bank balances other than above	1.75	1.75	1.54	1.54
Current loans	0.53	0.53	0.85	0.85
Other current financial assets	5.68	5.68	3.59	3.59
	<b>369.13</b>	<b>369.13</b>	<b>254.46</b>	<b>254.46</b>
<b>Financial liabilities</b>				
Borrowings	509.15	509.15	513.04	513.04
Other non-current financial liabilities	5.92	5.92	5.83	5.83
Short term borrowings	438.11	438.11	429.46	429.46
Trade payables	97.43	97.43	71.56	71.56
Other current financial liabilities	151.32	151.32	152.12	152.12
	<b>1,201.93</b>	<b>1,201.93</b>	<b>1,172.01</b>	<b>1,172.01</b>

## II. Financial risk management

The Company has exposure to the following risks arising from financial instruments:

- Credit risk;
- Liquidity risk and
- Market risk

### i. Risk management framework

The Company's board of directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The board of directors has established the processes to ensure that executive management controls risks through the mechanism of property defined framework.

The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed by the board annually to reflect changes in market

## Notes to the standalone financial statements (contd...)

conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to maintain a disciplined and constructive control environment in which all employees understand their roles and obligations.

### ii. Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers and investments in debt securities. The carrying amount of financial assets represents the maximum credit exposure. The Company monitor credit risk very closely both in domestic and export market. The Management impact analysis shows credit risk and impact assessment as low.

#### Trade and other receivables

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the factors that may influence the credit risk of its customer base, including the default risk of the industry and country in which customers operate.

The Company management has established a credit policy under which each new customer is analyzed individually for creditworthiness before the Company's standard payment and delivery terms and conditions are offered. The Company's review includes market check, industry feedback, past financials and external ratings, if they are available, and in some cases bank references. Sale limits are established for each customer and reviewed quarterly. Any sales exceeding those limits require approval from the President of the Company.

About 40% of the Company's customers have been transacting with the Company for over four years, and no significant impairment loss has been recognized against these customers. In monitoring customer credit risk, customers are reviewed according to their credit characteristics, including whether they are an individual or a legal entity, their geographic location, industry and existence of previous financial difficulties

The Company establishes an allowance for impairment that represents its expected credit losses in respect of trade and other receivables. The management uses a simplified approach for the purpose of computation of expected credit loss for trade receivables.

The carrying amount net of loss allowances of trade receivables is ₹ 325.32 (31 March 2017 ₹ 242.09).

#### Ageing of trade receivables are as under:-

(₹ in crore)

Particulars	Less than 6 months	6-12 months	More than 12 months	Total
As at 31 March 2018	314.26	9.68	1.38	325.32
As at 31 March 2017	240.26	1.13	0.70	242.09

During the year, the Company has made no write-offs of trade receivables, it does not expect to receive future cash flows or recoveries from collection of cash flows previously written off. The Company management also pursue all legal option for recovery of dues wherever necessary based on its internal assessment.

#### Reconciliation of loss allowance provision – Trade receivables

(₹ in crore)

	As at 31 March 2018	As at 31 March 2017
<b>Opening balance</b>	(1.68)	(1.68)
Less :Provision for doubtful debts written back	0.14	-
Add: Further provision for doubtful debts made	(0.13)	-
Changes in loss allowance	0.26	-
<b>Closing balance</b>	<b>(1.41)</b>	<b>(1.68)</b>

## Notes to the standalone financial statements (contd...)

### iii. Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are fallen due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities and the availability of funding through an adequate amount of committed credit facilities to meet obligations when due and to close out market positions. Due to the dynamic nature of the underlying businesses, the Company treasury maintains flexibility in funding by maintaining availability under committed credit lines.

Management monitors rolling forecasts of the Company's liquidity position (comprising the undrawn borrowing facilities) and cash and cash equivalents on the basis of expected future cash flows. This is generally carried out at unit level and monitored through corporate office of the Company in accordance with practice and limits set by the Company. These limits vary by location to take into account requirement, future cash flow and the liquidity in which the entity operates. In addition, the Company's liquidity management strategy involves projecting cash flows in major currencies and considering the level of liquid assets necessary to meet these, monitoring balance sheet liquidity ratios against internal and external regulatory requirements and maintaining debt financing plans.

### (a) Financing arrangements

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

(₹ in crore)

	As at 31 March 2018	As at 31 March 2017
<b>Floating rate</b>		
Expiring within one year (credit limit and other facilities)	145.96	82.91
Expiring within one year (Term loans)	7.50	35.53
	<b>153.46</b>	<b>118.44</b>

The credit limit facilities may be drawn at any time and may be terminated by the bank without notice. Subject to the continuance of satisfactory credit ratings, the bank loan facilities may be drawn at any time in INR and have an average maturity of 4 years 2 months as at 31 March 2018 (as at 31 March 2017 - 4 years).

## Notes to the standalone financial statements (contd...)

### (b) Maturities of financial liabilities

The following are the remaining contractual maturities of financial liabilities at the reporting date. The amounts are gross and undiscounted, and exclude contractual interest payments and the impact of netting agreements.

(₹ in crore)

Particulars	Carrying Amounts 31 March 2018	Contractual cash flows				
		Total	2 months or less	2–12 months	1–5 years	More than 5 years
<b>Non-derivative financial liabilities</b>						
Borrowings	509.15	509.15	–	–	398.77	110.38
Other non-current financial liabilities	5.92	5.92	–	–	0.78	5.14
Short term borrowings	438.11	438.11	323.53	114.58	–	–
Trade payables	97.43	97.43	79.52	17.91	–	–
Other current financial liabilities	151.32	151.32	47.52	103.80	–	–
<b>Total non-derivative liabilities</b>	<b>1201.93</b>	<b>1201.93</b>	<b>450.57</b>	<b>236.29</b>	<b>399.55</b>	<b>115.52</b>
<b>Derivatives (net settled)</b>						
Foreign exchange forward contracts	0.70	0.70	0.70	–	–	–
<b>Total derivative liabilities</b>	<b>0.70</b>	<b>0.70</b>	<b>0.70</b>	<b>–</b>	<b>–</b>	<b>–</b>

(₹ in crore)

Particulars	Carrying Amounts 31 March 2017	Contractual cash flows				
		Total	2 months or less	2–12 months	1–5 years	More than 5 years
<b>Non-derivative financial liabilities</b>						
Borrowings	513.04	513.04	–	–	376.01	137.03
Other non-current financial liabilities	5.83	5.83	–	–	0.06	5.77
Short term borrowings	429.46	429.46	255.81	173.65	–	–
Trade payables	71.56	71.56	49.46	22.10	–	–
Other current financial liabilities	152.12	152.12	50.64	101.48	–	–
<b>Total non-derivative liabilities</b>	<b>1172.01</b>	<b>1172.01</b>	<b>355.91</b>	<b>297.23</b>	<b>376.07</b>	<b>142.80</b>

The interest payments on variable interest rate loans in the table above reflect market forward interest rates at the reporting date and these amounts may change as market interest rates change.

## Notes to the standalone financial statements (contd...)

### iv. Market risk

Market risk is the risk that changes in market prices – such as foreign exchange rates and interest rates – will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

The Company uses derivatives like forward contracts to manage market risks on account of foreign exchange and various debt instruments on account of interest rates. All such transactions are carried out as per guidelines of the Management.

### a. Currency risk

The Company is exposed to foreign exchange risk arising from foreign currency transactions, primarily with respect to the USD and small exposure in EUR and GBP. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the Company's functional currency (INR). The risk is measured through a forecast of highly probable foreign currency cash flows. The objective of the hedges is to minimise the volatility of the INR cash flows of highly probable forecast transactions by hedging the foreign exchange inflows on regular basis. The Company also take help from external consultants who for views on the currency rates in volatile foreign exchange markets.

Currency risks related to the principal amounts of the Company's foreign currency receivables and payables, have been partially hedged using forward contracts taken by the Company.

In respect of other monetary assets and liabilities denominated in foreign currencies, the Company's policy is to ensure that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances.

### (i) Exposure to currency risk

The summary quantitative data about the Company's exposure to currency risk as reported by the management of the Company is as follows

(Figure in crore)

	As at 31 March 2018			As at 31 March 2017		
	USD	EUR	GBP	CHF	USD	EUR
<b>Financial assets/ liabilities</b>						
Trade receivables	2.44	0.06	0.00	-	1.43	-
Advances to suppliers	0.00	0.00	-	0.00		
PCFC	(2.97)	-	-	-	(2.35)	-
Trade payables	(0.09)	(0.00)	(0.01)	-	(0.13)	-
Advance from customers	(0.15)	(0.00)	0.00	-	-	
<b>Net statement of financial position exposure</b>	<b>(0.77)</b>	<b>0.06</b>	<b>(0.01)</b>	<b>0.00</b>	<b>(1.05)</b>	<b>-</b>

(Figure in crore)

	As at	As at
	31 March 2018	31 March 2017
	CHF	CHF
<b>Financial assets /liabilities</b>		
Payable for capital goods	-	0.01
<b>Net statement of financial position exposure</b>	<b>-</b>	<b>0.01</b>

## Notes to the standalone financial statements (contd...)

### (ii) Unhedged in foreign currency exposure

(Figure in crore)

	As at 31 March 2018			As at 31 March 2017		
	USD	EUR	GBP	CHF	USD	EUR
<b>Financial assets/ liabilities</b>						
Trade receivables	-	0.04	0.00	-	-	-
Advances to suppliers	-	-	-	0.00	-	0.00
Trade payables	(0.09)	-	-	-	(0.14)	-
Advance from customers	(0.15)	(0.00)	0.00	-	(0.12)	(0.00)
<b>Net statement of financial position exposure</b>	<b>(0.24)</b>	<b>0.04</b>	<b>0.00</b>	<b>0.00</b>	<b>(0.26)</b>	<b>0.00</b>

### (iii) Derivative Instruments

(Figure in crore)

	As at 31 March 2018			As at 31 March 2017	
	USD	EUR	GBP	USD	EUR
Forward Contract for export trade receivables outstanding	0.95	0.02	0.00	0.75	-

### The following significant exchange rates have been applied

(Figure in crore)

	Average Rates		Year end spot rates	
	31 March 2018	31 March 2017	31 March 2018	31 March 2017
USD 1	64.33	67.06	65.04	64.34
EUR 1	75.92	73.26	80.62	69.25
CHF 1	68.49	69.02	68.21	64.80
GBP 1	86.32	87.33	92.28	80.88

### Sensitivity analysis

A reasonably possible strengthening (weakening) of the INR. against USD at 31 March would have affected the measurement of financial instruments denominated in a foreign currency and affected equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

(₹ in crore)

	Profit or loss		Equity, net of tax	
	Strengthening	Weakening	Strengthening	Weakening
<b>31 March 2018</b>				
USD (10% movement)	0.49	(0.49)	0.32	(0.32)
<b>31 March 2017</b>				
USD (10% movement)	0.29	(0.29)	0.19	(0.19)

#### b. Interest rate risk

The Company's main interest rate risk arises from long-term borrowings with variable rates, which expose the Company to cash flow interest rate risk. During 31 March 2018 and 31 March 2017, the Company's borrowings at variable rate were denominated in INR.

Currently the Company's borrowings are within acceptable risk levels, as determined by the management, hence the Company has not taken any swaps to hedge the interest rate risk.

## Notes to the standalone financial statements (contd...)

### Exposure to interest rate risk

The interest rate profile of the Company's interest-bearing financial instruments as reported to the management of the Company is as follows. (₹ in crore)

	Nominal Amount	
	As at 31 March 2018	As at 31 March 2017
<b>Fixed-rate instruments</b>		
Financial assets	–	–
Financial liabilities	–	79.06
	–	79.06
<b>Variable-rate instruments</b>		
Financial assets	–	–
Financial liabilities	1,047.16	957.16
	<b>1,047.16</b>	<b>957.16</b>

### Cash flow sensitivity analysis for variable-rate instruments

A reasonably possible change of 100 basis points in interest rates at the reporting date would have increased (decreased) equity and statement of profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency exchange rates, remain constant.

(₹ in crore)

	Profit or loss		Equity, net of tax	
	50 basis points increase	50 basis points decrease	50 basis points increase	50 basis points decrease
<b>31 March 2018</b>				
Variable-rate instruments	(5.22)	5.22	(3.41)	3.41
<b>Cash flow sensitivity</b>	<b>(5.22)</b>	<b>5.22</b>	<b>(3.41)</b>	<b>3.41</b>
<b>31 March 2017</b>				
Variable-rate instruments	(4.77)	4.77	(3.12)	3.12
<b>Cash flow sensitivity</b>	<b>(4.77)</b>	<b>4.77</b>	<b>(3.12)</b>	<b>3.12</b>

### Fair value sensitivity analysis for fixed-rate instruments

The Company does not account for any fixed-rate financial assets or financial liabilities at fair value through profit or loss. Therefore, a change in interest rates at the reporting date would not affect profit or loss.

A change of 50 basis points in interest rates would have increased or decreased equity by ₹ 3.41 crore after tax (31 March 2017 ₹ 3.12 crore). This analysis assumes that all other variables, in particular foreign currency exchange rates, remain constant.

### c. Commodity price risks

The Company is exposed to the risk of price fluctuations of raw materials, dyes and chemicals, work-in-progress and finished goods. The Company manage its commodity price risk by maintaining adequate inventory of raw materials, dyes and chemicals, work-in-progress and finished goods considering future price movement. To counter raw materials risk, the Company worked with varieties of fibres (natural and manmade) with the objective to moderate raw material cost, enhance application flexibility and increase product functionality and also invested product development and innovation.

## Notes to the standalone financial statements (contd...)

### Inventory sensitivity analysis (raw material and dyes and chemicals)

A reasonably possible change of 10% in prices of inventory at the reporting date would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables remain constant.

(₹ in crore)

	Profit or loss		Equity, net of tax	
	10% increase	10% decrease	10% increase	10% decrease
<b>31 March 2018</b>				
Inventories (raw materials, dyes and chemicals, work-in-progress and finished goods)	47.84	(47.84)	31.28	(31.28)
	<b>47.84</b>	<b>(47.84)</b>	<b>31.28</b>	<b>(31.28)</b>
<b>31 March 2017</b>				
Inventories (raw materials, dyes and chemicals, work-in-progress and finished goods)	50.47	(50.47)	33.00	(33.00)
	<b>50.47</b>	<b>(50.47)</b>	<b>33.00</b>	<b>(33.00)</b>

### 47 Disclosure as specified in Schedule V of SEBI (Listing Obligation and Disclosure Requirements) Regulation 2015:

(₹ in crore)

Name of the Loanee	Maximum amount during the year	Outstanding as at 31 March 2018
Magadh Sugar and Energy Limited (MSEL) #	40.00	-
Upper Ganges Sugar and Industries Limited	(40.00)	(-)

Note - Figures in brackets represents previous year's amounts.

# Due to approval of Composite scheme of arrangement by Hon'ble National Company Law Tribunal (NCLT), Bench at Allahabad, on March 2, 2017 exposure's in ICDS in Upper Ganges Sugar & Inds. Ltd. has swapped to MSEL.

- 48 In respect of Okara Mills, Pakistan, (Which remained with the Company as a result of transfer of textiles division of Sutlej Industries Limited with the Company) no returns have been received after 31 March 1965. Against net assets of Okara Mills, Pakistan amounting to ₹ 2.32 crore, the demerged /transferor Company had received adhoc compensation of ₹ 0.25 crore from Government of India in the year 1972-73. These assets now vest in the Custodian of Enemy Property, Pakistan for which claim has been filed with the Custodian of Enemy Property in India. The Company shall continue to pursue its claim for compensation/ restoration of assets. Hence, further compensation, if any received, credit for the same will be taken in the year of receipt. In the year 2003-04, net assets of ₹ 2.07 crore (net of compensation received) as on 31 March 1965, valued at pre-devaluation exchange rate, has been provided for.

### 49 Disclosure u/s 186(4) of the Companies Act, 2013 :

#### a) Particulars of Loans given :-

(₹ in crore)

Sr. No	Name of the Loanee	Loan given during the Financial year	Loan repaid during the Financial Year	Outstanding balance at the year end	Purpose
1	Magadh Sugar and Energy Limited (refer note 47)	40.00	40.00	-	Business purpose
	Upper Ganges Sugar and Industries Limited	(40.00)	(40.00)	(-)	

## Notes to the standalone financial statements (contd...)

### b) Particulars of Investments made:-

(₹ in crore)

Sr. No	Name of the Investee	Investment made during Financial year	Outstanding Balance at the year end
1	Investment in 8.5% Non-Convertible Cumulative Redeemable Preference Shares (NCRPS) fully paid in M/s Avadh Sugar & Energy Limited (Refer Note 5 C)	- (-)	50.38 (27.58)
2	Investment in 8.5% Non-Convertible Cumulative Redeemable Preference Shares (NCRPS) fully paid in M/s Palash Securities Limited (Refer Note 5 C)	- (-)	0.59 (0.74)
3	Investment in Equity shares of Sutlej Holdings Inc. (wholly owned subsidiary) (Refer Note 5 B)	30.64 (-)	30.64 (-)

Note - Figures in brackets represents previous year's amounts.

### 50 Capital management

The primary objective of the management of the Company's capital structure is to maintain an efficient mix of debt and equity in order to achieve a low cost of capital, while taking into account the desirability of retaining financial flexibility to pursue. The Board of directors regularly review the Company's capital structure in light of the economic conditions, business strategies and future commitments. For the purpose of the Company's capital management, capital includes issued share capital and all other equity reserves. Debt includes term loans. During the financial year ended 31 March 2018, no significant changes were made in the objectives, policies or processes relating to the management of the Company's capital structure.

#### (i) Debt equity ratio:

(₹ in crore)

Particulars	As at 31 March 2018	As at 31 March 2017
Term loan from banks	606.20	603.65
<b>Total debt (A)</b>	<b>606.20</b>	<b>603.65</b>
Equity share capital	16.38	16.38
Other equity	890.20	799.59
<b>Total equity (B)</b>	<b>906.58</b>	<b>815.97</b>
<b>Debt equity ratio (C=A/B)</b>	<b>0.67</b>	<b>0.74</b>

#### (ii) Return on equity

(₹ in crore)

Particulars	As at 31 March 2018	As at 31 March 2017
Profit after tax	113.13	157.94
Equity share capital	16.38	16.38
Other equity	890.20	799.59
Total equity	906.58	815.97
<b>Return on equity ratio (%)</b>	<b>12.48%</b>	<b>19.36%</b>

(iii) The Company's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. Management monitors the return on capital as well as the level of dividends to ordinary shareholders. The weighted-average interest expense on interest-bearing borrowings (excluding liabilities with imputed interest) was 5.79 % (31 March 2017: 5.88%).

## Notes to the standalone financial statements (contd...)

- 51 The disclosures in the financial statements regarding holdings as well as dealings in specified bank notes during the period from 8 November 2016 to 30 December 2016 have not been made since, they do not pertain to the financial year ended 31 March 2018. However, amounts as appearing in the audited financial statements for the year ended 31 March 2017 have been disclosed.

(₹ in crore)

Particulars	SBNs	Other denomination notes	Total
Closing cash in hand as on 8 November 2016	1.32	0.23	1.55
(+) Permitted receipts	–	1.16	1.16
(-) Permitted payments	–	1.07	1.07
(-) Amount deposited in Banks	1.32	–	1.32
<b>Closing cash in hand as on 30 December 2016</b>	<b>–</b>	<b>0.32</b>	<b>0.32</b>

- 52 Previous year figures have been audited by another firm of chartered accountants.

### Signatures to Notes 1 to 52

In terms of our report of even date attached

**For B S R & Co. LLP**

Chartered Accountants

Firm Regn. No.101248W / W-100022

**Rajiv Goyal**

Partner

Membership No -094549

Place : Gurugram

Date : 11 May 2018

For and on behalf of the Board of Directors of  
**Sutlej Textiles and Industries Limited**

**Rajan Dalal**

Director

DIN : 00546264

**Bipeen Valame**

Wholetime Director & CFO

DIN : 07702511

Place : New Delhi

Date : 11 May 2018

**C. S. Nopany**

Executive Chairman

DIN : 00014587

**Manoj Contractor**

Company Secretary

M.No. : A11661

## Independent Auditor's Report

TO THE MEMBERS OF  
**SUTLEJ TEXTILES AND INDUSTRIES LIMITED**

### **Report on the Audit of Consolidated Ind AS Financial Statements**

We have audited the accompanying consolidated Ind AS financial statements of Sutlej Textiles and Industries Limited (hereinafter referred to as "the Holding Company") and its subsidiary incorporated outside India (the Holding Company and its subsidiary together referred to as "the Group") which comprise the Consolidated Balance Sheet as at 31 March 2018, the Consolidated Statement of Profit and Loss, Consolidated Statement of Changes in Equity and the Consolidated Statement of Cash Flow Statement for the year then ended and a summary of the significant accounting policies and other explanatory information (hereinafter referred to as "the consolidated financial statements").

### **Management's Responsibility for the Ind AS Financial Statements**

The Holding Company's Board of Directors is responsible for the preparation of these consolidated financial statements in terms of the requirements of the Companies Act, 2013 (hereinafter referred to as "the Act") that give a true and fair view of the consolidated state of affairs, consolidated profit/ loss and other comprehensive income, consolidated statement of changes in equity and consolidated cash flows of the Group in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards (Ind AS) specified under section 133 of the Act.

The respective Board of Directors of the companies included in the Group are responsible for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Group and for preventing and detecting frauds and other irregularities; the selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the consolidated financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error, which

have been used for the purpose of preparation of the consolidated financial statements by the Directors of the Holding Company, as aforesaid.

In preparing the consolidated financial statements, the respective Board of Directors of the companies included in the Group are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

### **Auditor's Responsibility**

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

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

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Holding Company's preparation of the consolidated 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, as well as evaluating the overall presentation of the consolidated financial statements.

We are also responsible to conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of Group to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause Group to cease to continue as a going concern.

We believe that the audit evidence obtained by us and the audit evidence obtained by the other auditor in terms of their report referred to in the Other Matter paragraph below, is sufficient and appropriate to provide a basis for our audit opinion on the consolidated financial statements.

### Opinion

In our opinion and to the best of our information and according to the explanations given to us and based on the consideration of report of other auditor on separate financial statements and on the other financial information of the subsidiary, the aforesaid consolidated 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 consolidated state of affairs of the Group, as at 31 March 2018, and their consolidated profit and other comprehensive income, consolidated statement of changes in equity and consolidated cash flows for the year ended on that date.

### Other Matter

We did not audit the financial statements of the wholly owned subsidiary, whose financial statements reflect total assets of ₹ 35.37 crore as at 31 March 2018, total revenues of ₹ 22.91 crore and net cash inflows amounting to ₹ 0.29 crore for the period ended on that date, as considered in the consolidated financial statements. These financial statements have been audited by other auditor whose report has been furnished to us by the Management and our opinion on the consolidated financial statements, in so far as it relates to the amounts and disclosures included in respect of the subsidiary and our report in terms of sub-section (3) of Section 143 of the Act, insofar as it relates to

the aforesaid subsidiary is based solely on the reports of the other auditor.

Our opinion above on the consolidated financial statements, and our report on Other Legal and Regulatory Requirements below, is not modified in respect of the above matter with respect to our reliance on the work done and the report of the other auditor.

### Report on Other Legal and Regulatory Requirements

1. As required by Section 143(3) of the Act, based on our audit and on the consideration of report of the other auditor on separate financial statement and the other financial information of the subsidiary, as noted in the 'Other Matter' paragraph, we report, to the extent applicable, 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 of the aforesaid consolidated financial statements.
  - b) In our opinion, proper books of account as required by law relating to preparation of the aforesaid consolidated financial statements have been kept so far as it appears from our examination of those books and the reports of the other auditor.
  - c) The Consolidated Balance Sheet, the Consolidated Statement of Profit and Loss, the Consolidated Cash Flow Statement and Consolidated Statement of Changes in Equity dealt with by this Report are in agreement with the relevant books of account maintained for the purpose of preparation of the consolidated financial statements.
  - d) In our opinion, the aforesaid consolidated financial statements comply with the Indian Accounting Standards specified under section 133 of the Act.
  - e) On the basis of the written representations received from the directors of the Holding Company as on 31 March 2018 taken on record by the Board of Directors of the Holding Company, none of the directors of the Group is disqualified as on 31 March 2018 from being appointed as a director in terms of Section 164(2) of the Act.
  - f) With respect to the adequacy of the internal

financial controls with reference to financial statements of the Holding Company and the operating effectiveness of such controls, refer to our separate Report in "Annexure A.

g) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditor's) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us and based on the consideration of the report of the other auditor on separate financial statements as also the other financial information of the subsidiary, as noted in the 'Other Matter' paragraph:

- i. The consolidated financial statements disclose the impact of pending litigations on the consolidated financial position of the Group. Refer note 41 to the consolidated financial statements.
- ii. The Group does not have any material foreseeable losses on long-term contracts including derivative contracts during the year ended 31 March 2018.

iii. There has been no delay in transferring amounts to the Investor Education and Protection Fund by the Holding Company during the year ended 31 March 2018.

iv. The disclosures in the consolidated financial statements regarding holdings as well as dealings in specified bank notes during the period from 8 November 2016 to 30 December 2016 have not been made since they do not pertain to the financial year ended 31 March 2018. However, amounts as appearing in the audited consolidated financial statements for the period ended 31 March 2017 have been disclosed - Refer note 53 of the consolidated financial statements.

For **BSR & Co. LLP**

Chartered Accountants

ICAI Firm registration number: 101248W/W-100022

**Rajiv Goyal**

Partner

Place : Gurugram

Date : 11 May 2018

Membership No.: 094549

## **Annexure A to the Independent Auditor's Report of even date on the Consolidated Financial Statements of Sutlej Textiles and Industries Limited for the year ended 31 March 2018**

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

In conjunction with our audit of the consolidated financial statements of the Company as of and for the year ended 31 March 2018, we have audited the internal financial controls with reference to financial statements of Holding Company which is incorporated in India, as of that date.

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

The Board of Directors of the Holding Company, which is incorporated in India, are responsible for establishing and maintaining internal financial controls based on the internal control with reference to financial statements criteria established by the Holding Company considering the essential components of internal control stated

in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India (ICAI). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to the respective company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

#### **Auditor's Responsibility**

Our responsibility is to express an opinion on internal financial controls with reference to financial statements 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 ICAI and the Standards on Auditing, issued by ICAI and deemed to be prescribed under section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls, both issued by the Institute of Chartered Accountants of India. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls with reference to financial statements 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 with reference to financial statements and their operating effectiveness. Our audit of internal financial controls with reference to financial statements included obtaining an understanding of internal financial controls with reference to financial statements, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated Ind AS 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 opinion on the Holding Company's and its subsidiary company incorporated in India, internal financial control system with reference to financial statements.

#### **Meaning of Internal Financial Controls with reference to financial statements**

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

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

#### **Inherent Limitations of Internal Financial Controls with reference to financial statements**

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

#### **Opinion**

In our opinion, the Holding Company which is incorporated in India has, in all material respects, adequate internal financial controls with reference to financial statements and such internal financial controls with reference to financial statements were operating effectively as at 31 March 2018, based on the internal control with reference to financial statements criteria established by the Company considering the essential components of internal control stated in the Guidance Note issued by the Institute of Chartered Accountants of India.

For **B S R & Co. LLP**

Chartered Accountants

ICAI Firm registration number: 101248W/W-100022

**Rajiv Goyal**

Partner

Place : Gurugram

Date : 11 May 2018

Membership No.: 094549

## Consolidated balance sheet as at 31 March 2018

(all amounts are in Rupees crore, unless otherwise stated)

(₹ in crore)

Particulars	Notes	As at 31 March 2018
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	3	1,108.69
Capital work-in-progress	3	9.51
Goodwill	4	6.40
Other intangible assets	4	1.09
Financial assets		
(i) Investments	5	50.97
(ii) Loans	6	4.61
Non-current tax assets (net)	7	0.15
Other non-current assets	8	2.11
<b>Total non-current assets</b>		<b>1,183.53</b>
<b>Current assets</b>		
Inventories	9	514.16
Financial assets		
(i) Trade receivables	10	335.05
(ii) Cash and cash equivalents	11	12.80
(iii) Bank balances other than cash and cash equivalents	12	1.75
(iv) Loans	13	0.61
(v) Other current financial assets	14	5.67
Other current assets	15	134.47
Current tax assets (net)	16	0.03
Assets classified as held for sale	17	0.24
<b>Total current assets</b>		<b>1,004.78</b>
<b>Total assets</b>		<b>2,188.31</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity</b>		
Equity share capital	18	16.38
Other equity	19	890.56
<b>Total equity</b>		<b>906.94</b>
<b>Liabilities</b>		
<b>Non-current liabilities</b>		
Financial liabilities		
(i) Borrowings	20	509.16
(ii) Other financial liabilities	21	5.92
Provisions	22	8.95
Deferred tax liabilities (net)	23A	22.34
Other non-current liabilities	24	8.47
<b>Total non-current liabilities</b>		<b>554.84</b>
<b>Current liabilities</b>		
Financial liabilities		
(i) Borrowings	25	438.11
(ii) Trade payables	26	101.11
(iii) Other financial liabilities	27	154.46
Other current liabilities	28	14.48
Provisions	29	16.46
Current tax liabilities (net)	30	1.91
<b>Total current liabilities</b>		<b>726.53</b>
<b>Total liabilities</b>		<b>1,281.37</b>
<b>Total equity and liabilities</b>		<b>2,188.31</b>

Summary of significant accounting policies

2

The accompanying notes form an integral part of the consolidated financial statements

In terms of our report of even date attached

**For B S R & Co. LLP**

Chartered Accountants

Firm Regn. No.101248W / W-100022

**Rajiv Goyal**

Partner

Membership No -094549

Place : Gurugram

Date : 11 May 2018

For and on behalf of the Board of Directors of  
**Sutlej Textiles and Industries Limited**

**Rajan Dalal**

Director

DIN : 00546264

**Bipeen Valame**

Wholetime Director & CFO

DIN : 07702511

Place : New Delhi

Date : 11 May 2018

**C. S. Nopany**

Executive Chairman

DIN : 00014587

**Manoj Contractor**

Company Secretary

M. No. : A11661

Place : New Delhi

Date : 11 May 2018

## Consolidated statement of profit and loss for the year ended 31 March 2018

(all amounts are in Rupees crore, unless otherwise stated)

(₹ in crore)

Particulars	Notes	For the year ended 31 March 2018
<b>REVENUE</b>		
Revenue from operations	31	2,476.74
Other income	32	33.70
<b>Total income</b>		<b>2,510.44</b>
<b>EXPENSES</b>		
Cost of materials consumed	33	1,309.43
Purchase of stock in trade		126.84
Changes in inventories of finished goods, stock-in-trade and work-in-progress	34	(24.33)
Employee benefits expense	35	302.80
Finance costs	36	59.12
Depreciation and amortization expenses	37	106.64
Other expenses	38	514.59
<b>Total expenses</b>		<b>2,395.09</b>
<b>Profit before exceptional items and tax</b>		<b>115.35</b>
Exceptional items	39	41.83
<b>Profit before tax</b>		<b>157.18</b>
<b>Tax expense:</b>	23B	
Current tax		28.06
Deferred tax charge/ (credit)		15.76
<b>Profit for the year</b>		<b>113.36</b>
<b>Other comprehensive income</b>		
<b>Items that will not be reclassified to profit or loss</b>		
Remeasurement of defined benefit plans		4.75
Tax relating to remeasurement of defined benefit plans		(1.64)
<b>Items that will be reclassified subsequently to profit and loss</b>		
Exchange differences on translation of operations into reporting currency		0.14
<b>Total other comprehensive income for the year</b>		<b>3.25</b>
<b>Total comprehensive income for the year</b>		<b>116.61</b>
<b>Earnings per equity share of face value of ₹ 1 each</b>	40	
Basic and Diluted		6.92

Summary of significant accounting policies

2

The accompanying notes form an integral part of the consolidated financial statements

In terms of our report of even date attached

**For B S R & Co. LLP**

Chartered Accountants

Firm Regn. No.101248W / W-100022

**Rajiv Goyal**

Partner

Membership No -094549

For and on behalf of the Board of Directors of  
**Sutlej Textiles and Industries Limited****Rajan Dalal**

Director

DIN : 00546264

**Bipeen Valame**

Wholetime Director &amp; CFO

DIN : 07702511

**C. S. Nopany**

Executive Chairman

DIN : 00014587

**Manoj Contractor**

Company Secretary

M. No. : A11661

Place : Gurugram

Date : 11 May 2018

Place : New Delhi

Date : 11 May 2018

Place : New Delhi

Date : 11 May 2018

## Consolidated statement of cash flows for the year ended 31 March 2018

(all amounts are in Rupees crore, unless otherwise stated)

(₹ in crore)

Particulars	For the year ended 31 March 2018
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>	
Profit before tax	157.18
<b>Adjustments for :-</b>	
Depreciation and amortization expense	106.64
Profit on sale/discard of property, plant and equipment (net)	(1.35)
Finance cost	59.12
Dividend from preference share	(23.47)
Interest received	(12.85)
Deferred government grants	(0.99)
Net fair value gain on financial assets measured at fair value through profit or loss	(22.65)
Provision for doubtful debts	0.13
Fair value (gains)/ loss on derivatives	3.47
Provision for doubtful claims written back	(0.25)
Sundry credit balances written back (net)	(1.04)
<b>Operating profit before working capital changes</b>	<b>263.94</b>
<b>Movements in working capital :-</b>	
(Increase)/ decrease in inventories	21.75
(Increase)/ decrease in trade receivables	(81.31)
(Increase)/ decrease in other financial assets	(1.99)
(Increase)/ decrease in other assets	(48.74)
Increase/ (decrease) in trade payables	24.92
Increase/ (decrease) in other financial liabilities	3.55
Increase/ (decrease) in provisions	5.32
Increase/ (decrease) in other liabilities	(5.11)
<b>Cash generated from operations</b>	<b>182.33</b>
Income tax paid (net of refund)	(24.88)
<b>Net cash from operating activities</b>	<b>157.45</b>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>	
Movement in fixed deposit	(0.21)
Interest received	12.85
Dividend received from preference share	23.47
Purchase of property, plant and equipment (including capital advance)	(115.37)
Asset Acquisition of American Silk Mills, LLC (refer note 52)	(17.00)
Proceeds from sale of property, plant & equipment	3.16
Grants/ subsidy from government	0.35
<b>Net cash used in investing activities</b>	<b>(92.95)</b>

## Consolidated statement of cash flows for the year ended 31 March 2018

(all amounts are in Rupees crore, unless otherwise stated)

(₹ in crore)

Particulars	For the year ended 31 March 2018
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>	
Net proceeds /(repayment) of long term borrowings	2.30
Net proceeds /(repayment) of short term borrowings	8.65
Finance costs (net of interest subsidy received under TUFS and interest capitalised)	(59.15)
Dividend paid and tax on distributed profits	(25.64)
<b>Net cash used in financing activities</b>	<b>(73.84)</b>
<b>Net increase /(decrease) in cash and cash equivalents</b>	<b>(9.34)</b>
Cash and cash equivalents at the beginning of the year	2.02
Cash and cash equivalents at the end of the year *	12.80
	<b>10.78</b>

\* Refer note 11 for details.

**Notes:**

- The Cash flow statement has been prepared in accordance with 'Indirect Method' as set out in Ind AS-7- 'Statement of Cash Flows', as notified under Section 133 of the Companies Act, 2013, read with relevant rules issued thereunder.
- Changes in liabilities arising from financing activities

(₹ in crore)

Particulars	For the year ended 31 March 2018
<b>Opening balance of borrowings</b>	
Term loan (including current maturities)	603.65
Current borrowings	429.46
<b>Cash Flows</b>	
Repayment of term loan	100.41
Proceeds from term loan	102.97
Increase in current borrowings (net)	8.65
<b>Closing balance of borrowings</b>	
Term loan (including current maturities)	<b>606.21</b>
Current borrowings	<b>438.11</b>

**3 Amendment to Ind AS 7**

Effective 01 April 2017, the Group adopted the amendment to Ind AS 7, which require the entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes, suggesting inclusion of a reconciliation between the opening and closing balances in the Balance Sheet for liabilities arising from financing activities, to meet the disclosure requirement. The adoption of amendment did not have any material impact on the financial statements.

In terms of our report of even date attached

**For B S R & Co. LLP**

Chartered Accountants

Firm Regn. No.101248W / W-100022

**Rajiv Goyal**

Partner

Membership No -094549

Place : Gurugram

Date : 11 May 2018

For and on behalf of the Board of Directors of

**Sutlej Textiles and Industries Limited****Rajan Dalal**

Director

DIN : 00546264

**Bipeen Valame**

Wholetime Director &amp; CFO

DIN : 07702511

Place : New Delhi

Date : 11 May 2018

**C. S. Nopany**

Executive Chairman

DIN : 00014587

**Manoj Contractor**

Company Secretary

M. No. : A11661

Place : New Delhi

Date : 11 May 2018

## Consolidated statement of changes in equity for the year ended 31 March 2018

(all amounts are in Rupees crore, unless otherwise stated)

### (a) Equity share capital

(₹ in crore)

Particulars	As at 31 March 2018	
	No. of Shares	Amount
Balance at the beginning of the year	1,63,82,862	16.38
Increase due to sub-division of equity share [refer note 18(f)]	14,74,45,758	-
<b>Balance at the end of the year</b>	<b>16,38,28,620</b>	<b>16.38</b>

### (b) Other equity

Particulars	Reserves and Surplus			Total
	General reserve	Retained earnings	Other comprehensive income	
<b>Balance as at 1 April 2017*</b>	<b>166.06</b>	<b>634.34</b>	<b>(0.81)</b>	<b>799.59</b>
Profit for the year as per statement of profit and loss	-	113.36	-	113.36
Other comprehensive income for the year	-	-	3.25	3.25
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>113.36</b>	<b>3.25</b>	<b>116.61</b>
Transfer to general reserve	12.00	(12.00)	-	-
Dividend paid	-	(21.30)	-	(21.30)
Dividend distribution tax	-	(4.34)	-	(4.34)
<b>Balance as at 31 March 2018</b>	<b>178.06</b>	<b>710.06</b>	<b>2.44</b>	<b>890.56</b>

\*Pertains to standalone financial statements of holding company

Summary of significant accounting policies 2

The accompanying notes form an integral part of the consolidated financial statements

In terms of our report of even date attached

**For B S R & Co. LLP**

Chartered Accountants

Firm Regn. No.101248W / W-100022

**Rajiv Goyal**

Partner

Membership No -094549

Place : Gurugram

Date : 11 May 2018

For and on behalf of the Board of Directors of

**Sutlej Textiles and Industries Limited**

**Rajan Dalal**

Director

DIN : 00546264

**Bipeen Valame**

Wholetime Director & CFO

DIN : 07702511

Place : New Delhi

Date : 11 May 2018

**C. S. Nopany**

Executive Chairman

DIN : 00014587

**Manoj Contractor**

Company Secretary

M. No. : A11661

Place : New Delhi

Date : 11 May 2018

## Notes to the consolidated financial statements for the year ended 31 March 2018

### 1. COMPANY INFORMATION

Sutlej Textiles and Industries Limited (herein after referred to as "the Holding Company/ Company") is domiciled in India with its registered office situated at Pachpahar Road, Bhawanimandi - 326502, Rajasthan. The Holding Company has been incorporated under the provisions of Indian Companies Act and its equity shares are listed on the National Stock Exchange (NSE) and Bombay Stock Exchange (BSE) Limited.

The Holding Company has incorporated a wholly owned subsidiary namely Sutlej Holdings Inc. in the state of Delaware on 28 September 2017. Sutlej USA, LLC, a wholly owned subsidiary of Sutlej Holdings Inc. was also incorporated on 28 September 2017 in the state of Delaware. Pursuant to a business combination (refer note 52), the name of Sutlej USA, LLC was changed to American Silk Mills, LLC. The American Silk Mills is primarily engaged in the design, manufacture and distribution of textiles to wholesalers, manufacturers and retailers for the home furnishing industry.

Sutlej Textiles and Industries Limited with its subsidiary and step down subsidiary is hereinafter referred to as the "Group".

The Group is a manufacturer of cotton and man-made fibres yarn and home textiles.

The particulars of subsidiary company and step down subsidiary, which are included in consolidation and the parent Group's holding therein, is as under:

Name	Country of incorporation	Percentage holding as at 31 March 2018
Sutlej Holdings Inc. (Subsidiary Company)	USA	100 %
American Silk Mills (Step Down Subsidiary)	USA	100%

### 2. SIGNIFICANT ACCOUNTING POLICIES

The Group has applied the following accounting policies to period presented in the consolidated financials.

#### 2.1 Basis of preparation

These consolidated financial statements of the Group have been prepared in accordance with the Indian Accounting Standards (hereinafter referred to as the 'Ind AS') as per the Companies (Indian Accounting Standards) Rules, 2015 notified under Section 133 of Companies Act, 2013, (the 'Act') and other relevant provisions of the Act.

The consolidated financial statements for the year ended 31 March 2018 are the first consolidated financial statements of the Group.

These consolidated financial statements were authorised for issue by the Board of Directors on their meeting held on 11 May 2018.

#### 2.2 Basis of consolidation:

The Company consolidates entity which it owns or controls. The consolidated financial statements comprise the financial statements of the Company and its subsidiary as disclosed in note 52. Control exists when the parent has power over the entity, is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns by using its power over the entity. Power is demonstrated through existing rights that give the ability to direct relevant activities, those which significantly affect the entity's returns. Subsidiary are consolidated from the date control commences until the date control ceases. The financial statements of the Group is consolidated on a line-by-line basis and intra-group balances and transactions are eliminated upon consolidation. Consolidated financial statements are prepared using uniform accounting policies for the like transactions and other events in similar circumstances.

## Notes to the consolidated financial statements (contd...)

### Consolidation procedure

- Combine like items of assets, liabilities, equity, income, expenses and cash flows of the parent with those of its subsidiaries. For this purpose, income and expenses of the subsidiary are based on the amounts of the assets and liabilities recognised in the consolidated financial statements at the acquisition date.
- Offset (eliminate) the carrying amount of the parent's investment in each subsidiary and the parent's portion of equity of each subsidiary. Business combinations policy explains how to account for any related goodwill.

Eliminate in full intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between entities of the Group (profits or losses resulting from intragroup transactions that are recognised in assets, such as inventory and fixed assets, are eliminated in full). Intragroup losses may indicate an impairment that requires recognition in the consolidated financial statements.

### 2.3 Business combination

Business combinations are accounted for using the acquisition accounting method as at the date of the acquisition, which is the date at which control is transferred to the Group. The consideration transferred in the acquisition and the identifiable assets acquired and liabilities assumed are recognised at fair values on their acquisition date. Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred over the net identifiable assets acquired and liabilities assumed. Any goodwill that arises is tested annually for impairment.

Transaction costs are expensed as incurred, except to the extent related to the issue of debt or equity securities.

### 2.4 Basis of measurement

The consolidated financial statements have been prepared under the historical cost basis except for the following items:-

- Defined benefit liability / (assets): Fair value of plan assets less present value of defined benefit obligation
- Certain financial assets and liabilities (including financial instrument): - Fair value;
- Other financial assets and liabilities- measured at amortised cost.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group take into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in the consolidated financial statements is determined on such a basis, except measurements that have some similarities to fair value but are not fair value, such as net realizable value in inventories or value in use in impairment of assets. The basis of fair valuation of these items is given as part of their respective accounting policies.

In addition, for financial reporting purposes, fair value measurements are categorised into level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- **Level 1** inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date;
- **Level 2** inputs are inputs, other than quoted prices included within level 1, that are observable for the asset or liability, either directly or indirectly; and
- **Level 3** inputs are unobservable inputs for the asset or liability.

## Notes to the consolidated financial statements (contd...)

### 2.5 Use of judgements and estimates

In preparing these consolidated financial statements, management has made judgements, estimates and assumptions that affect the application of the Group's accounting policies and the reported amounts of assets, liabilities, income and expenses. Management believes that the estimates used in the preparation of the consolidated financial statements are prudent and reasonable. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

#### Judgements

Information about the judgements made in applying accounting policies that have the most significant effects on the amounts recognised in the consolidated financial statements have been given below:

- Classification of leases into finance and operating lease – whether an arrangement contains a lease (refer note 43);
- whether the Group has de facto control over an investee (refer note 1).
- Classification of financial assets (note 47)

#### Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the consolidated financial statements for the every period ended is included below:

- Measurement of defined benefit obligations: key actuarial assumptions; (note 45)
- Recognition of deferred tax assets: availability of future taxable profit against which MAT credit can be used (note 2.21)
- Useful life and residual value of property, plant and equipment, and intangible assets
- Recognition and measurement of provisions and contingencies: key assumptions about the likelihood and magnitude of an outflow of resources (note 41)
- Impairment of financial assets: key assumptions used in estimating recoverable cash flows and inventory write down (note 47 and note 2.16)

### 2.6 Classification of assets and liabilities as current and non-current

The Group presents consolidated assets and liabilities in the consolidated balance sheet based on current/ non-current classification. An asset is treated as current when it is:

- Expected to be realised or intended to be sold or consumed in normal operating cycle.
- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting period, or
- Cash and cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is treated as current when:

- It is expected to be settled in normal operating cycle.
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period, or

## Notes to the consolidated financial statements (contd...)

- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

All other liabilities are classified as non-current.

Deferred tax liabilities are classified as non-current liabilities.

The operating cycle is the time between the acquisition of the assets for processing and their realisation in cash and cash equivalents. The Group has identified twelve months as its operating cycle.

### 2.7 Property, plant and equipment

#### Recognition and measurement

Items of property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment loss, if any. The cost of an item of property, plant and equipment comprises its purchase price and directly attributable cost of bringing the assets to working condition for its intended use including borrowing cost and incidental expenditure during construction incurred up to the date when the assets are ready to use.

If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as a separate items (major components) of property, plant and equipment.

#### Subsequent expenditure

Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the Group.

#### Depreciation

Depreciation on property, plant and equipment is calculated on straight line method and is recognized in the statement of profit and loss. The rates are arrived at based on the estimated useful lives given in schedule II of the Companies Act, 2013 or re-assessed by the Group on technically assessed, as given below: -

#### Related to parent Company:

Assets	Useful life as per Technical Certificate	Useful life as per Companies Act
Non factory buildings	58 years	60 years
Factory buildings	30 years	30 years
Plant and equipment	18 years and 4 months /20 years / 15 years/ 3 years and 6 years	15 years/ 3 years and 6 years
Office equipment	5 years	5 years
Furniture and fixtures	5-10 years	10 years
Vehicles	8 years and 10 years	8 years and 10 years

#### Related to subsidiary and step down subsidiary Company :

Assets	Useful lives
Plant and equipment	3 to 5 years
Office equipment	3 to 5 years
Furniture and fixtures	3 to 5 years

Depreciation methods, useful lives and residual values are reviewed in each financial year end and changes, if any, are accounted for prospectively.

Based on technical evaluation and consequent advice, the management believes that its estimates of useful lives as given above best represent the period over which management expects to use these assets.

Depreciation on additions to or on disposal of assets is calculated on pro-rata basis. Leasehold land is being

## Notes to the consolidated financial statements (contd...)

amortised over the period of lease tenure. Additions on rented premises (offices and guest houses) are being amortised over the period of rent agreement.

Individual assets costing below ₹5000 are fully depreciated in the year of purchase as these assets have no significant useful life.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between net disposal proceeds and the carrying amount of the asset and is recognised in the statement of profit and loss.

### Capital work-in-progress

Capital work-in-progress includes assets in the course of construction for production and supply of goods or services or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognised impairment loss. At the point when an asset is operating at management's intended use, the cost of construction is transferred to the appropriate category of property, plant and equipment. Costs associated with the commissioning of an asset are capitalized.

### 2.8 Intangible assets

Intangible assets acquired separately are stated at cost less accumulated amortization and impairment loss, if any. Intangible assets are amortized on straight line method basis over the estimated useful life. Estimated useful life of the software is considered as 5 years.

Amortisation methods, useful lives and residual values are reviewed in each financial year end and changes, if any, are accounted for prospectively.

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

Goodwill that arises on the acquisition of a business is presented as an intangible asset.

The difference between fair value of consideration and net assets acquired is treated as goodwill on consolidation. The goodwill on consolidation is tested for impairment annually.

### 2.9 Non-current assets (or disposal groups) held for sale

Non-current assets, or disposal groups comprising assets and liabilities, are classified as held-for sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use.

Such assets, or disposal groups, are generally measured at the lower of their carrying amount and fair value less costs to sell. An impairment loss is recognised for any initial or subsequent write-down of the asset to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset, but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset is recognised at the date of de-recognition.

Once classified as held-for-sale, intangible assets and property, plant and equipment are no longer amortised or depreciated.

### 2.10 Impairment of non-financial assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than inventories and deferred tax assets) to determine whether there is any indication on impairment. If any such indication exists, then the asset's recoverable amount is estimated.

## Notes to the consolidated financial statements (contd...)

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs (cash generating units).

The Group's corporate assets (e.g., central office building for providing support to various CGUs) do not generate independent cash inflows. To determine impairment of a corporate asset, recoverable amount is determined for the CGUs to which the corporate asset belongs.

The recoverable amount of a CGU (or an individual asset) is the higher of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the CGU (or the asset).

Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its estimated recoverable amount. Impairment losses are recognised in the statement of profit and loss. Impairment loss recognised in respect of a CGU is allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets of the CGU (or group of CGUs) on a pro rata basis.

An impairment loss in respect of goodwill is not subsequently reversed. In respect of other assets for which impairment loss has been recognised in prior periods, the Group reviews at each reporting date whether there is any indication that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. Such a reversal is made only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Impairment loss in respect of assets other than goodwill is reversed only to the extent that the assets carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised in prior years. A reversal of impairment loss is recognised immediately in the statement of profit and loss.

### 2.11 Borrowing cost

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are capitalised as part of the cost of such assets upto the assets are substantially ready for their intended use or sale.

The loan origination costs directly attributable to the acquisition of borrowings (e.g. loan processing fee, upfront fee) are amortised on the basis of the effective interest rate (EIR) method over the term of the loan.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization. All other borrowing costs are recognised in the statement of profit and loss in the period in which they are incurred.

### 2.12 Foreign currency transactions

The Group's consolidated financial statements are presented in Indian Rupees (INR), which is also the Group's functional currency.

#### Transactions and balances

Transactions in foreign currencies are initially recorded by the Group at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot

## Notes to the consolidated financial statements (contd...)

rates of exchange at the reporting date.

Exchange differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss with the exception of following:-

- a. Exchange differences arising on monetary items that forms part of a reporting entity's net investment in a foreign operation are recognised in the statement of profit or loss in the separate financial statements of the reporting entity or the individual financial statements of the foreign operation, as appropriate. In the financial statements that include the foreign operation and the reporting entity (e.g., consolidated financial statements when the foreign operation is a subsidiary), such exchange differences are recognised initially in Other Comprehensive Income (OCI). These exchange differences are reclassified from equity to the statement of profit or loss on disposal of the net investment.
- b. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in OCI.

### Conversion

Foreign currency monetary items are reported using the closing rate. Non-monetary items which are carried in terms of historical cost denominated in a foreign currency, are reported using the exchange rate at the date of the transaction.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in OCI or profit or loss are also recognised in OCI or profit or loss, respectively).

### 2.13 Employee benefits

#### a. Short term employee benefits

Short-term employee benefits are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Parent Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

#### b. Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. The Parent Company makes specified monthly contributions towards Government administered provident fund scheme and also towards superannuation scheme. Obligations for contributions to defined contribution plans are recognised as an employee benefit expense in profit or loss in the periods during which the related services are rendered by employees.

#### c. Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Parent Company's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

For defined benefit plan, the cost of providing benefits is determined annually by qualified actuary using the projected unit credit method, with actuarial valuations being carried out at the end of each annual reporting period. The present value of the defined benefit obligation is determined by discounting the estimated future

## Notes to the consolidated financial statements (contd...)

cash outflows using interest rates of government bonds.

Remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling (if applicable) and the return on plan assets (excluding interest), is reflected in the balance sheet with a charge or credit recognised in other comprehensive income in the period in which they occur. Remeasurement recognised in other comprehensive income (OCI) is reflected immediately in retained earnings and will not be reclassified to the statement of profit and loss. Past service cost is recognised in the statement of profit and loss in the period of a plan amendment. Net interest are recognised in OCI. The Parent Company determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognised in profit or loss. Defined benefit costs are categorised as follows:

- service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlements);
- net interest expense or income; and
- remeasurement of net defined benefit liability

The Parent Company presents the first two components of defined benefit costs in the statement of profit and loss in the line item employee benefits expense.

The defined benefit obligation recognised in the balance sheet represents the actual deficit or surplus in the Parent Company's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the plans or reductions in future contributions to the plans.

### d. Other long-term employee benefits

The Group's net obligation in respect of long-term employee benefits other than post-employment benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and the fair value of any related assets is deducted. The obligation is measured on the basis of an annual independent actuarial valuation using the projected unit credit method. Remeasurements gains or losses are recognised in statement of profit and loss in the period in which they arise.

### 2.14 Revenue recognition

- a. The Group recognises revenue from sale of goods when the title have been passed at which time all the following conditions are satisfied:
  - i) the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
  - ii) the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
  - iii) the amount of revenue can be measured reliably;
  - iv) it is probable that the economic benefits associated with the transaction will flow to the Group; and
  - v) the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenue is measured at fair value of goods and service provided to customers after deducting for certain incentives including, but not limited to discounts, volume rebates, incentive programs etc..

## Notes to the consolidated financial statements (contd...)

Shipping and handling amounts invoiced to customers are included in revenue and the related shipping and handling costs incurred are included in freight and forwarding expenses when the Group is acting as principal in the shipping and handling arrangement.

Sales include excise duty and are net of sales tax, goods and service tax and other applicable taxes.

- b. Export entitlements in the form of duty drawback, Merchandise Export Incentive Scheme (MEIS) and other schemes are recognized in the statement of profit and loss when the right to receive credit as per the terms of the scheme is established in respect of exports made and when there is no significant uncertainty regarding the ultimate collection of the relevant export proceeds.

Claim on insurance companies and others, where quantum of accrual cannot be ascertained with reasonable certainty, are accounted for on acceptance basis.

- c. Revenue from process of fabrics is recognised on delivery of goods to customers or when the goods are ready for delivery. When goods are partly processed, the expenses so incurred is shown as work-in-progress.
- d. Interest is recognised using effective interest rate method on a time proportion basis.
- e. Dividend income is recognised when the Group's right to receive the payment is established, which is generally when shareholders approve the dividend.

### 2.15 Government grants and subsidies

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

Government grants that compensate the Group for expenses incurred are recognised in the statement of profit and loss, as income or deduction from the relevant expense, on a systematic basis in the periods in which the expense is recognised.

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

### 2.16 Inventories

- i **Inventories are valued as follows:**

Raw materials, dyes and chemicals, stores and spares and consumables	Lower of cost and net realisable value. Cost is determined on a weighted average basis. Cost includes expenditure incurred in acquiring the inventories and other costs incurred in bringing them to their present location and condition. Materials and other items held for use in the production of inventories are not written down below costs, if finished goods in which they will be incorporated are expected to be sold at or above cost.
Work-in-progress, finished goods and stock-in-trade	Lower of cost and net realisable value. Cost includes direct materials, labour, a proportion of manufacturing overheads and an appropriate share of fixed production overheads based on normal operating capacity. Cost of finished goods includes excise duty, wherever applicable.
Waste	At net realisable value.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and to make the sale.

- ii. Provision for obsolete/ old inventories is made, wherever required.

## Notes to the consolidated financial statements (contd...)

iii. In view of substantially large number of items in work-in-progress, it is not feasible to maintain the status of movement of each item at shop floor on perpetual basis. The Group, however, physically verifies such stocks at the end of every quarter and valuation is made on the basis of such physical verification. The comparison of cost and net realisable value is done on item by item basis.

iv **Excise duty on job work**

Excise duty is paid on clearance of processed fabrics. No provision for excise duty is made in the accounts for fabrics processed (for work done on job basis for outside parties) and lying in factory premises at the end of the year as the same is recoverable from the parties.

### 2.17 Trade receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. If the receivable is expected to be collected within a period of 12 months or less from the reporting date (or in the normal operating cycle of the business, if longer), they are classified as current assets otherwise as non-current assets.

Trade receivables are measured at their transaction price unless it contains a significant financing component in accordance with Ind AS 18 or pricing adjustments embedded in the contract.

Loss allowance for expected life time credit loss is recognised on initial recognition.

### 2.18 Provisions and contingent liabilities

#### Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are measured at the best estimate of the expenditure required to settle the present obligation at the balance sheet date.

If the effect of the time value of money is material, provisions are discounted to reflect its present value using a current pre-tax rate that reflects the current market assessments of the time value of money and the risks specific to the obligation. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

#### Contingent liabilities

A contingent liability is a possible obligation that arises from a past event, with the resolution of the contingency dependent on uncertain future events, or a present obligation where no outflow is probable. Major contingent liabilities are disclosed in the consolidated financial statements unless the possibility of an outflow of economic resources is remote.

### 2.19 Measurement of fair value

#### a. Financial instruments

The estimated fair value of the Group's financial instruments is based on market prices and valuation techniques. Valuations are made with the objective to include relevant factors that market participants would consider in setting a price, and to apply accepted economic and financial methodologies for the pricing of financial instruments. References for less active markets are carefully reviewed to establish relevant and comparable data.

#### b. Marketable and non-marketable equity securities

Fair value for listed shares is based on quoted market prices as of the reporting date. Fair value for unlisted shares is calculated based on market comparison techniques utilizing significant unobservable data, primarily cash flow based models.

## Notes to the consolidated financial statements (contd...)

The valuation model is based on market multiples derived from quoted prices of companies comparable to the investee and the expected revenue and EBIDTA of the investee. The estimate is adjusted for the effect of the non-marketability of the relevant equity securities.

If fair value cannot be measured reliably unlisted shares are recognized at cost.

### c. Derivatives

The Group uses derivative financial instruments, such as forward currency contracts to hedge its foreign currency risks and interest rate risk respectively. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value provided by the respective banks. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Any gains or losses arising from changes in the fair value of derivatives are taken directly to statement of profit and loss.

### 2.20 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial instruments also include derivative contracts such as foreign currency foreign exchange forward contracts and interest rate swaps.

#### a. Financial assets

##### Initial recognition and measurement

All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

##### Classifications

The Group classifies its financial assets as subsequently measured at either amortised cost or fair value depending on the Group's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

##### Business model assessment

The Group makes an assessment of the objective of a business model in which an asset is held at an instrument level because this best reflects the way the business is managed and information is provided to management.

A financial asset is measured at amortised cost only if both of the following conditions are met:

- a. it is held within a business model whose objective is to hold assets in order to collect contractual cash flows.
- b. the contractual terms of the financial asset represent contractual cash flows that are solely payments of principal and interest.

After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate ('EIR') method. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance income in the profit or loss. The losses arising from impairment are recognised in the statement of profit and loss.

#### b. Equity Instruments

All equity instruments in scope of Ind AS 109 are measured at fair value. On initial recognition an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in fair value in OCI. This election is made on an investment-by-investment basis.

## Notes to the consolidated financial statements (contd...)

All other Financial Instruments are classified as measured at FVTPL.

### **Derecognition of financial assets**

A financial asset (or, where applicable, a part of a financial asset or part of a Group of similar financial assets) is primarily derecognised (i.e. removed from the Group's balance sheet) when:

The rights to receive cash flows from the asset have expired, or the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognize the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in OCI is recognised in profit or loss.

### **Impairment of financial assets**

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

With regard to trade receivable, the Group applies the simplified approach as permitted by Ind AS 109, financial instruments, which requires expected lifetime losses to be recognised from the initial recognition of the trade receivables.

## **c. Financial liabilities**

### **Initial recognition and measurement**

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, amortised cost, as appropriate.

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

### **Subsequent measurement**

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

#### **Financial liabilities measured at amortised cost**

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in statement of profit and loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit

## Notes to the consolidated financial statements (contd...)

and loss.

### Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities designated upon initial recognition as at fair value through profit or loss.

### Derecognition of financial liabilities

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expired.

## 2.21 Income tax

Income tax expense comprises current and deferred tax. It is recognised in statement of profit and loss except to the extent that it relates to items recognised directly in equity or in Other Comprehensive Income.

### i. Current tax

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax reflects the best estimates of the tax amount expected to be paid on received after considering the uncertainty, if any, related to income taxes. It is measured using tax rates (and tax laws) enacted or substantively enacted by the reporting date.

Current tax assets and liabilities are offset only if, the Group:

- a) Has a legally enforceable right to set off the recognised amounts; and
- b) Intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

### ii. Deferred tax

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

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

Unrecognized deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

## Notes to the consolidated financial statements (contd...)

Current and deferred tax are recognised in the statement of profit and loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Minimum Alternative Tax (MAT) is recognized as an asset only when and to the extent there is convincing evidence that the Group will pay normal income tax during the specified period. In the year in which the MAT credit becomes eligible to be recognized as an asset the said asset is created by way of credit to the statement of profit and loss and included in deferred tax assets. The Group reviews the same at each balance sheet date and writes down the carrying amount of MAT entitlement to the extent there is no longer convincing evidence to the effect that Group will pay normal income tax during the specified period.

### 2.22 Leases

#### i) Determining whether an arrangement contains a lease

At inception of an arrangement, it is determined whether the arrangement is or contains a lease.

At inception or on reassessment of the arrangement that contains a lease, the payments and other consideration required by such an arrangement are separated into those for the lease and those for other elements on the basis of their relative fair values. If it is concluded for a finance lease that it is impracticable to separate the payments reliably, then an asset and a liability are recognised at an amount equal to the fair value of the underlying asset. The liability is reduced as payments are made and an imputed finance cost on the liability is recognised using the incremental borrowing rate.

#### ii) Assets held under leases

Leases of property, plant and equipment that transfer to the Group substantially all the risks and rewards of ownership are classified as finance leases. The leased assets are measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the assets are accounted for in accordance with the accounting policy applicable to similar owned assets.

Assets held under leases that do not transfer to the Group substantially all the risks and rewards of ownership (i.e. operating leases) are not recognised in the Group's balance sheet.

#### iii) Lease payments

Payments made under operating leases are generally recognised in profit or loss on a straight-line basis over the term of the lease unless such payments are structured to increase in line with expected general inflation to compensate for the lessor's expected inflationary cost increases.

Minimum lease payments made under finance leases are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

### 2.23 Segment reporting

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

The board of directors of the Group have been identified as being the chief operating decision maker by the Management of the Group. Refer note 42 for segment information presented.

### 2.24 Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less.

## Notes to the consolidated financial statements (contd...)

For the purposes of the cash flow statement, cash and cash equivalents is as defined above, net of outstanding bank overdrafts.

### 2.25 Earnings per share

Basic earnings per share are calculated by dividing the net profit or loss for the period attributable to equity shareholders (after deducting preference dividends and attributable taxes) by the weighted average number of equity shares outstanding during the period.

For the purpose of calculating diluted earnings per share, the net profit or loss for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares.

### 2.26 Recent accounting pronouncements

#### Standards issued but not yet effective

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

The amendment will come into force from April 1, 2018 and the Group is in the process of evaluating its impact on the Consolidated financial statements.

#### Ind AS 115, Revenue from contracts with customers:

On 28 March 2018, Ministry of Corporate Affairs ("MCA") has notified the Ind AS 115, revenue from contract with customers. The core principle of the new standard is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

Under Ind AS 115, an entity recognizes revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer.

Moreover, the new standard requires enhanced disclosures about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers.

The effective date for adoption of Ind AS 115 is financial periods beginning on or after 1 April 2018. The Group will adopt the standard on 1 April 2018.

The Group is in process of evaluating the impact on the consolidated financial statements.

### Notes to the consolidated financial statements (contd...)

#### 3. Property, plant and equipment

Particulars	Gross Block				Accumulated depreciation			Net Block	
	As at 31 March 2017	Addition pursuant to acquisition (refer note 52)	Additions	Deletions	As at 31 March 2018	As at 31 March 2017	Deletions	As at 31 March 2018	As at 31 March 2017
Freehold land	36.24	-	2.29	-	38.53	-	-	38.53	36.24
Leasehold land	3.90	-	-	-	3.90	0.10	-	0.15	3.80
Building	431.32	-	17.60	-	448.92	17.16	0.00	30.09	414.16
Plant and equipment	796.95	0.04	63.71	1.91	858.79	140.08	0.36	229.27	656.87
Vehicles	8.16	-	2.79	0.45	10.50	2.39	0.23	3.45	5.77
Furniture and fixtures	9.27	0.29	1.84	0.03	11.37	2.45	0.01	3.77	6.82
Office equipments	5.94	0.14	0.85	0.03	6.90	2.12	0.01	3.49	3.82
<b>Total</b>	<b>1,291.78</b>	<b>0.47</b>	<b>89.08</b>	<b>2.42</b>	<b>1,378.91</b>	<b>164.30</b>	<b>0.61</b>	<b>270.22</b>	<b>1,127.48</b>
Capital work-in-progress	11.38	-	87.20	89.07	9.51	-	-	-	11.38
<b>Total</b>	<b>1,303.16</b>	<b>0.47</b>	<b>176.28</b>	<b>91.49</b>	<b>1,388.42</b>	<b>164.30</b>	<b>0.61</b>	<b>270.22</b>	<b>1,138.86</b>

- 1 In case of Kathua unit leasehold land having carrying value as at 31 March 2018 ₹2.61 crore (Original cost ₹2.92 crore) and in case of Baddi unit freehold land having carrying value as at 31 March 2018 ₹0.08 crore (Original cost ₹0.08 crore) are pending for registration in the name of the Group.
- 2 Property, plant and equipment includes share of the Holding Company in a holiday home at Haridwar jointly owned with other bodies corporates having carrying value as at 31 March 2018 ₹ 0.60 crore (Original cost ₹ 1.12 crore).
- 3 Borrowing cost capitalized amounting to ₹ 0.50 crore under the head plant and equipment and building (refer note 44).
- 4 Property, plant and equipment given as security for borrowings refer note 20(a).

## Notes to the consolidated financial statements (contd...)

### 4. Intangible assets

(₹ in crore)

Particulars	Gross Block				Depreciation			Net Block	
	As at 31 March 2017	Addition pursuant to acquisition (refer note 52)	Additions	Deletions	As at 31 March 2018	For the year	Deletions	As at 31 March 2018	As at 31 March 2017
Goodwill	-	6.40	-	-	6.40	-	-	-	-
<b>Total</b>	-	<b>6.40</b>	-	-	<b>6.40</b>	-	-	<b>6.40</b>	-
<b>Other intangible assets</b>									
Software	0.85	-	0.65	-	1.50	0.11	-	0.41	0.55
<b>Total</b>	<b>0.85</b>	-	<b>0.65</b>	-	<b>1.50</b>	<b>0.11</b>	-	<b>0.41</b>	<b>0.55</b>

## Notes to the consolidated financial statements (contd...)

**B. Additions/ Capital work-in-progress includes Pre-operative expenses and Trial run expenses incurred during construction period related to expansion projects are as under :** (₹ in crore)

Particulars	For the year ended 31 March 2018	
<b>Pre-operative expenses other than trial run</b>		
Salaries, wages and bonus		0.15
Contribution to provident and other funds		0.01
Power, fuel and water charges		0.02
Interest expenses		0.38
<b>Trial run expenses</b>		
Salaries, wages and bonus		0.02
Cost of materials consumed		0.43
Consumption of stores and spares		0.02
Power, fuel and water charges		0.01
		<b>1.04</b>
<b>Less :</b>		
Sale of products	0.37	0.37
<b>Inventories as at 1 December 2017 :</b>		
Work-in-progress	0.13	0.13
		<b>0.54</b>
Less : Allocated to property, plant and equipment during the year		<b>0.54</b>
<b>Balance carried forward pending for allocation</b>		<b>-</b>

### 5. Non current investments

(₹ in crore)

	As at 31 March 2018
<b>A. Investment in equity instruments valued at FVTPL (fully paid-up)</b>	
<b>Unquoted</b>	
50 equity shares of The Jhalawar Nagrik Sahkari Bank Ltd. of ₹ 100 each*	0.00
<b>Total investments measured at amortised cost</b>	<b>0.00</b>
*The total amount of investments in absolute value is ₹ 5,000, but for reporting purpose rounded up to ₹ 0.0 crore.	
<b>B. Investment in preference shares valued at FVTPL (fully paid up) [refer note 47(I)]</b>	
<b>Unquoted</b>	
48,700,000 8.5% non-convertible cumulative redeemable preference shares of Avadh Sugar & Energy Limited of ₹ 10 each	50.38
1,300,000 8.5% non-convertible cumulative redeemable preference shares in Palash Securities Limited of ₹ 10 each	0.59
<b>Total investments measured at fair value through profit and loss</b>	<b>50.97</b>
<b>Aggregate value of unquoted investment</b>	<b>50.97</b>
<b>Aggregate value of impairment in the value of investments</b>	<b>-</b>

## Notes to the consolidated financial statements (contd...)

### 6 Loans (Non current)

(₹ in crore)

	As at 31 March 2018
Unsecured, considered good unless stated otherwise	
Security deposits	4.61
	<b>4.61</b>

### 7 Non current tax assets (net)

(₹ in crore)

	As at 31 March 2018
Advance income tax	0.15
	<b>0.15</b>

### 8 Other non-current assets

(₹ in crore)

	As at 31 March 2018
Unsecured, considered good unless stated otherwise	
Capital advances	1.81
Prepaid expenses	0.30
	<b>2.11</b>

### 9 Inventories (valued at lower of cost and net realisable value)

(₹ in crore)

	As at 31 March 2018
Raw materials	195.23
Dyes and chemicals	6.30
Work-in-progress	78.62
Finished goods	199.16
Stock in trade	10.39
Stores, spare-parts and consumables	21.45
Waste	3.01
	<b>514.16</b>
<b>Goods in transit included in above inventories are as under :</b>	
Raw materials	13.58
Stores, spare-parts and consumables	0.84

- (a) Inventories are hypothecated to secured borrowings (Refer note 20 and 25)
- (b) Write down of inventories (net of reversal) to net realisable value related to raw materials, work-in-progress and finished goods amounted to ₹1.70 crore. These were recognised as expense during the year and included in 'cost of materials consumed' and 'changes in inventories of finished goods, stock-in-trade and work-in-progress' in the statement of profit and loss.

## Notes to the consolidated financial statements (contd...)

### 10 Trade receivables

(₹ in crore)

	As at 31 March 2018
Unsecured, considered good unless stated otherwise	
Considered good	335.05
Considered doubtful	1.52
Less: Loss allowance for doubtful balances	(1.52)
	<b>335.05</b>

- (a) Trade receivables are hypothecated to secured current borrowings (Refer note 25)
- (b) No trade or other receivables are due from directors or other officers of the Group either severally or jointly with any other person. Further no trade or other receivables are due from firms or private companies respectively in which any director is a partner, or director or member.
- (c) The Group's exposure to credit and currency risk, and loss allowances related to trade receivables are disclosed in Note 47 II.

### 11 Cash and cash equivalents

(₹ in crore)

	As at 31 March 2018
Balance with banks:	
- In current accounts	12.63
Cash on hand	0.17
	<b>12.80</b>

### 12 Bank balances other than cash and cash equivalents

(₹ in crore)

	As at 31 March 2018
<b>Earmarked balances with banks:</b>	
Unpaid dividend account	1.20
Deposits with remaining maturity for more than 3 months but less than 12 months	0.55
	<b>1.75</b>

### 13 Loans (current)

(₹ in crore)

	As at 31 March 2018
Unsecured, considered good unless stated otherwise	
Security deposits	0.61
	<b>0.61</b>

### 14 Other current financial assets

(₹ in crore)

	As at 31 March 2018
Unsecured, considered good unless stated otherwise	
Advances recoverable in cash	5.48
Interest accrued on deposits	0.19
	<b>5.67</b>

## Notes to the consolidated financial statements (contd...)

### 15 Other current assets

(₹ in crore)

	As at 31 March 2018
Unsecured, considered good unless stated otherwise	
Balances with government authorities	52.22
Duty paid under protest	0.02
	<b>52.24</b>
Export benefits/ claims receivable	54.60
Less: Provision for doubtful @	(0.16)
	<b>54.44</b>
Prepaid expenses	2.96
Government subsidies receivable	15.44
Advances to suppliers	9.39
	<b>27.79</b>
	<b>134.47</b>
<b>@ Movement in allowance for bad and doubtful balances:-</b>	
<b>Balance as at the beginning of the year</b>	0.42
Add: - Allowance for bad and doubtful balances	-
Less: - Provision utilized	(0.42)
<b>Balance as at the end of the year</b>	-

### 16 Current tax assets (net)

(₹ in crore)

	As at 31 March 2018
Income tax refund receivable	0.03
	<b>0.03</b>

### 17 Assets classified as held for sale

(₹ in crore)

	As at 31 March 2018
Plant and equipment held for sale	0.24
	<b>0.24</b>

During the year, the Parent Company has decided to sell a part of obsolete plant and equipment which was originally purchased for production and manufacturing. The sale is expected to be completed within next financial year. The assets are presented within total assets of the bearing segment. There are no liabilities attached to these assets.

#### Non – current fair value measurements :

Assets classified as held for sale during the reporting period are measured at lower of its carrying amount and fair value less cost to sell at the time of reclassification. Fair value of the assets was determined using expected market realizable value using past trend and management assessment. This is a level 3 measurement and key inputs under this approach are price per asset comparable for the machine in similar business and technology.

## Notes to the consolidated financial statements (contd...)

### 18 Equity Share capital

(₹ in crore)

	As at 31 March 2018
<b>Authorised:</b>	
500,000,000 equity shares of ₹1/- each {Refer note 18(f)}	50.00
<b>Issued, subscribed and fully paid up:</b>	
163,828,620 equity shares of ₹1/- each {Refer note 18(f)}	16.38
	<b>16.38</b>

#### a. Terms and rights attached to equity shares

Each holder of equity shares is entitled to one vote per share. In the event of liquidation of the Parent Company, the holders of equity shares will be entitled to receive remaining assets of the Parent Company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders. There is no restriction on distribution of dividend. However, same is subject to the approval of the shareholders in the annual general meeting.

#### b. Reconciliation of number of shares outstanding at the beginning and end of the year :

(₹ in crore)

	As at 31 March 2018	
	No. of Shares	Amount
Balance at the beginning of the year	1,63,82,862	16.38
Add: Increase in number of shares on account of stock split {refer note 18(f)}	14,74,45,758	-
<b>Balance at the end of the year</b>	<b>16,38,28,620</b>	<b>16.38</b>

#### c. Shares held by holding company or its ultimate holding company or subsidiaries or associates of the holding company or the ultimate holding company in aggregate.

There are no holding or ultimate holding company of the Company.

#### d. Shareholders holding more than 5% shares in the Group

	As at 31 March 2018	
	No. of Shares	Percentage
Uttar Pradesh Trading Company Limited.	3,04,16,970	18.57%
Hargaon Investment & Trading Company Limited	1,71,13,960	10.45%
New India Retailing and Investment Limited	1,70,63,040	10.42%
Yashovardhan Investment and Trading Company Limited	1,48,68,360	9.08%
Birla Institute of Technology and Science	1,12,86,580	6.89%
Earthstone Holding (Two) Private Limited	98,03,690	5.98%
Ronson Traders Limited	97,23,730	5.94%

e. Aggregate number of bonus shares issued, for consideration other than cash, during the period of five years immediately preceding the reporting period - The Parent Company had allotted 54,609,540 equity shares of ₹5.46 crore, fully paid up as bonus shares on 1 July 2013.

f. Pursuant to the shareholders approval dated 31 August, 2017, the Parent Company has sub-divided its equity shares of face value of ₹10/- each into equity shares of face value of ₹1/- each for which 27 September, 2017 was fixed as record date. Accordingly, the basic and diluted earning per share and the number of share disclosed in Note 40 have been computed based on the revised number of shares and face value of ₹1/- per equity share.

## Notes to the consolidated financial statements (contd...)

### 19 Other equity

(₹ in crore)

	As at 31 March 2018
<b>a. General reserve</b>	
Balance at the beginning of the year	166.06
Add: Transferred from retained earnings	12.00
<b>Balance at the end of the year</b>	<b>178.06</b>
<b>b. Retained earnings</b>	
Balance at the beginning of the year	634.34
Profit for the year	113.36
Less: dividend on equity shares (including tax thereon)	(25.64)
Less: transferred to general reserve	(12.00)
<b>Balance at the end of the year</b>	<b>710.06</b>
<b>c. Other comprehensive income</b>	
Balance at the beginning of the year	(0.81)
Addition during the year	3.11
<b>Balance at the end of the year</b>	<b>2.30</b>
<b>d. Exchange differences on translation of operations into reporting currency</b>	
Balance at the beginning of the year	-
Addition during the year	0.14
<b>Balance at the end of the year</b>	<b>0.14</b>
<b>Grand total</b>	<b>890.56</b>

#### Nature and purpose of other reserves/ other equity

##### General reserve

The Group appropriates a portion to general reserves out of the profits voluntarily to meet future contingencies. The said reserve is available for payment of dividend to the shareholders as per the provisions of the Companies Act, 2013.

##### Retained earnings:

Retained earnings are the profit that the Group has earned till date, less any transfers to general reserve, dividends or other distributions paid to investors.

##### Other comprehensive income

Remeasurements of defined benefit plans represents the following as per Ind AS 19, Employee Benefits:

- (a) actuarial gains and losses
- (b) the return on plan assets, excluding amounts included in net interest on the net defined benefit liability (asset); and
- (c) any change in the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability (asset)

##### Exchange differences on translation of foreign operations

These comprise of all exchange difference arising from translation of financial statement of foreign operation.

## Notes to the consolidated financial statements (contd...)

### Dividend

The following dividends were declared and paid by the Parent Company (₹ in crore)

Particulars	For the year ended 31 March 2018
Final dividend for the year ended 31 March 2017 ₹13 per equity share of 10 each	21.30
Dividend distribution tax on final dividend	4.34
	<b>25.64</b>

After the reporting date the following dividend was proposed by the board of directors of the Group subject to the approval of shareholders of the Group at its annual general meeting; Accordingly, the dividends have not been recognized as liabilities. Dividends should attract corporate dividend tax when declared:

Particulars	For the year ended 31 March 2018
Proposed final dividend for the year ended 31 March 2018 ₹1.30 per equity share of 1 each **	21.30
Dividend distribution tax on final dividend	4.38
	<b>25.68</b>

\*\* On 11 May 2018, the board of directors of the Parent Company has recommended a final dividend of ₹1.30 per share (face value of ₹1 per share) for the financial year ended 31 March 2018, subject to approval of the shareholders in the upcoming Annual General Meeting of the Group.

### 20 Non-current borrowings

	As at 31 March 2018
Term loans (Secured)	
- From banks	509.16
	<b>509.16</b>

#### a. Securities

Term loans are secured by first equitable mortgage ranking pari-passu over the Parent Company's immovable properties situated at Bhawanimandi (Rajasthan), Kathua (Jammu & Kashmir), Baddi (Himachal Pradesh) and Daheli (Gujarat) and moveable assets (save and except book debts) both present and future, subject to prior charges created/ to be created in favour of bankers on moveable's including book debts for securing working capital borrowings.

#### b. Terms of repayment and interest are as follows :

Secured loan from	Repayment frequency	Year of maturity	Rate of interest p.a.	As at 31 March 2018
Punjab National Bank, Kota	Quarterly	FY 2019 to 2025	8.45	111.13
Bank of Maharashtra, Jaipur	Quarterly	FY 2019	8.75	194.88
Jammu & Kashmir Bank, Kathua	Quarterly	FY 2022 to 2024	8.55	126.07
ICICI Bank, Kolkatta	Quarterly	FY 2020	9.15	1.22
State Bank of India, Mumbai	Quarterly	FY 2023	9.75	11.62
United Bank, Delhi	Quarterly	FY 2019 to 2024	8.80	15.10
HDFC, Jaipur	Quarterly	FY 2023 to 2024	8.15	146.19
				<b>606.21</b>
<b>Less : Current maturities of long term debt (refer note 27)</b>				<b>97.05</b>
				<b>509.16</b>

c. The Group exposure to interest rate, foreign currency and liquidity risk is included in note 47.

## Notes to the consolidated financial statements (contd...)

### 21 Other non-current financial liabilities

(₹ in crore)

	As at 31 March 2018
Trade deposits	5.78
Employee security deposits	0.14
	<b>5.92</b>

### 22 Provisions

(₹ in crore)

	As at 31 March 2018
Provision for compensated absences	8.95
	<b>8.95</b>

### 23 Deferred tax liabilities (net)

#### A. Movement in deferred tax balances:

(₹ in crore)

	As at 31 March 2017	Recognized during the year	Utilised during the year	As at 31 March 2018
<b>Deferred tax assets</b>				
MAT credit entitlement @ /#	62.09	13.79	5.06	70.82
Disallowance u/s 43B of Income Tax Act, 1961	11.87	2.13	-	14.00
Others (provision for doubtful debts, provision for change in fair valuation of preference shares and others)	8.77	(7.81)	-	0.96
<b>Sub- Total (a)</b>	<b>82.73</b>	<b>8.11</b>	<b>5.06</b>	<b>85.78</b>
<b>Deferred tax liabilities</b>				
Property, plant and equipment: Impact of difference between Income tax depreciation and book depreciation	84.25	23.87	-	108.12
<b>Sub- Total (b)</b>	<b>84.25</b>	<b>23.87</b>	<b>-</b>	<b>108.12</b>
<b>Net deferred tax liability (b)-(a)</b>	<b>1.52</b>	<b>15.76</b>	<b>(5.06)</b>	<b>22.34</b>

@ Represents that portion of MAT credit, which can be recovered and set off in subsequent years as per provisions of Section 115JAA of the Income Tax Act, 1961. The management, based on the present trend of profitability and the future profitability projections, opines that there would be sufficient taxable income in future, which will enable the Company to utilize MAT credit entitlements.

# On the basis of earlier decision of CIT (Appeals) /ITAT given in favor of the Parent Company in respect of claims filed for considering certain subsidies received as capital subsidies, during the year the Parent Company has taken credit of MAT entitlements of ₹7.06 crore relating to financial years 2014-15.

## Notes to the consolidated financial statements (contd...)

### B. Amounts recognised in statement of profit and loss

(₹ in crore)

	For the year ended 31 March 2018
<b>Current tax expense</b>	
Current tax	28.06
	<b>28.06</b>
<b>Deferred tax expense</b>	
Origination and reversal of temporary differences	15.76
	<b>15.76</b>
<b>Total tax expense</b>	<b>43.82</b>

### C. Amounts recognised in other comprehensive income

(₹ in crore)

	For the year ended 31 March 2018		
	Before tax	Tax (expense)/ income	Net of tax
Remeasurements of defined benefit liability	4.75	(1.64)	3.11
Exchange differences on translation of operations into reporting currency	0.14	-	0.14
	<b>4.89</b>	<b>(1.64)</b>	<b>3.25</b>

### D. Reconciliation of effective tax rate

(₹ in crore)

	For the year ended 31 March 2018
<b>(a) Profit before tax from Indian operations</b>	156.88
Tax using the Parent Company's domestic tax rate @ 34.944%	54.30
Tax effect of:	
Non-deductible expenses	2.37
Tax on exempt income	(8.46)
Tax incentives	(4.12)
MAT credit entitlement related to earlier years	(7.06)
Deferred Tax created due to levy of 1% additional cess on income w.e.f. Assessment year 2019-20	0.91
Previously unrecognised deferred tax now recognised	3.15
Others-MAT credit utilised, disallowance u/s 14A of the Income tax act, 1961,etc	2.67
Income tax expenses	<b>43.76</b>
<b>(b) Profit before tax from foreign operations</b>	0.30
Tax using the Company's foreign tax rate @21 %	0.06
Tax effect of:	
Non-deductible expenses	(0.04)
Reduction in tax rate	0.09
Effect of recognition of tax effect of previously unrecognised tax losses now recognised as deferred tax assets	(0.09)
State taxes	0.04
Income tax expenses	<b>0.06</b>
<b>Total income tax expenses reported in the statement of profit and loss (a+b)</b>	<b>43.82</b>

## Notes to the consolidated financial statements (contd...)

### 24 Other non-current liabilities

(₹ in crore)

	As at 31 March 2018
Deferred government grant (refer note 41 B (2))	
- Capital subsidy sanctioned by Ministry of Textiles under technology upgradation fund scheme (TUFS) on specific plant and equipment	8.47
	<b>8.47</b>
Balance at the beginning of the year	9.11
Grant received during the year	0.35
Grant amortized and transferred to statement of profit and loss	(0.99)
<b>Balance at the end of the year</b>	<b>8.47</b>

### 25 Current borrowings

(₹ in crore)

	As at 31 March 2018
Loan repayable on demand (Secured)*	
- From banks	396.76
Bills discounted**	41.35
	<b>438.11</b>

\* Working capital facilities from banks are secured/to be secured by hypothecation of moveable's including book debts, both present and future, of the unit, ranking pari-passu inter se.

\*\* Bills discounted are secured against the book debts which have been discounted

### 26 Trade payables

(₹ in crore)

	As at 31 March 2018
Total outstanding dues of micro and small enterprises #	1.31
Due to others	99.80
<b>Total</b>	<b>101.11</b>
# Dues to micro and small enterprises (as per the intimation received from vendors):	
a. Principal amount remaining unpaid.	1.31
b. Interest due thereon remaining unpaid.	-
c. Interest paid by the Company in terms of Section 16 of the micro, small and medium enterprises Development Act, 2006, along with the amount of the payment made to the supplier beyond the appointed day.	-
d. Interest due to payable for the period of delay in making payment (which have been paid but beyond the appointed day during the period) but without adding interest specified under the micro, small and medium enterprises act, 2006.	-
e. Interest accrued and remaining unpaid.	-
f. Interest remaining due to payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprises.	-
	<b>1.31</b>

## Notes to the consolidated financial statements (contd...)

### 27 Other financial liabilities

(₹ in crore)

	As at 31 March 2018
Current maturities of long-term debt (refer note 20)	99.90
{Includes interest accrued and due on borrowings 31 March 2018: ₹ 2.85 crore}	
Unpaid dividend	1.20
Employees liabilities	39.72
Derivative liabilities	0.70
Creditors for capital goods	5.84
Security deposits	2.47
Director's commission	0.23
Others	4.40
	<b>154.46</b>

### 28 Other current liabilities

(₹ in crore)

	As at 31 March 2018
Advances received from customers	6.58
Statutory dues	7.90
	<b>14.48</b>

### 29 Provisions

(₹ in crore)

	As at 31 March 2018
Compensated absences	3.67
Gratuity	0.19
Others - Contingencies	12.60
	<b>16.46</b>

#### Others - Contingencies

Provision for disputed statutory matters have been made, where the Parent Company anticipates probable outflow. The amount of provision is based on estimate made by the Company considering the facts and circumstances of each case. The timing and amount of cash flow will be determined by the relevant authorities on settlement of cases.

The movement of provisions is presented below:

(₹ in crore)

	As at 31 March 2017	Addition	Reversal/ paid	As at 31 March 2018
Other contingencies	12.81	0.29	0.50	12.60
<b>Closing balance</b>	<b>12.81</b>	<b>0.29</b>	<b>0.50</b>	<b>12.60</b>

### 30 Current tax liabilities (net)

(₹ in crore)

	As at 31 March 2018
Provision for Income tax (net of advance tax of ₹ 130.07)	1.91
	<b>1.91</b>

## Notes to the consolidated financial statements (contd...)

### 31 Revenue from operations @ (₹ in crore)

	For the year ended 31 March 2018
<b>Sale of products (including excise duty)</b>	
Manufactured goods	2,271.31
Traded goods	136.78
<b>Total (i)</b>	<b>2,408.09</b>
<b>Sale of services</b>	
Job processing	23.72
Others	10.79
<b>Total (ii)</b>	<b>34.51</b>
<b>Total [(iii) = (i) + (ii)]</b>	<b>2,442.60</b>
<b>Other operating revenue</b>	
Export incentives	34.14
<b>Total (iv)</b>	<b>34.14</b>
<b>Revenue from operations [(iii) + (iv)]</b>	<b>2,476.74</b>

@ Net of amount transferred to trial run expenses refer note 4 (B).

### 32 Other income (₹ in crore)

	For the year ended 31 March 2018
Interest income from financial assets measured at amortised cost	
- from bank deposits	0.03
- from inter-corporate deposits	3.68
- from others	9.14
Dividend from preference share	4.14
Net fair value gain on financial assets measured at fair value through profit or loss	0.15
Profit on sale/discard of property, plant and equipment (net)	1.35
Excess provisions and unspent liabilities written back	0.91
Foreign currency transactions and translation (net)	5.69
Sundry credit balances written back (net)	1.04
Provision for doubtful debts written back	0.25
Insurance claims	1.20
Deferred government grants (refer note 24)	0.99
Miscellaneous income	5.13
	<b>33.70</b>

### 33 Cost of materials consumed @ (₹ in crore)

	For the year ended 31 March 2018
Raw material consumed	1,223.78
Consumption of dyes and chemicals	85.65
	<b>1,309.43</b>

@ Net of amount transferred to trial run expenses refer note 4 (B).

## Notes to the consolidated financial statements (contd...)

### 34 Changes in inventories of finished goods, stock-in-trade and work-in-progress (₹ in crore)

	For the year ended 31 March 2018
<b>Closing inventory</b>	
Work-in-progress	78.62
Finished goods	199.16
Stock- in- trade	10.39
Waste	3.01
<b>Total (A)</b>	<b>291.18</b>
<b>Opening inventory</b>	
Work-in-progress	72.41
Finished goods	191.83
Stock- in- trade	1.89
Waste	2.16
<b>Total (B)</b>	<b>268.29</b>
<b>Add:</b>	
Inventories acquired during the year (refer note 52)	
Finished goods	5.99
<b>Total (C)</b>	<b>5.99</b>
Inventories transferred from trial run production on 01 December.2017	
Work-in-progress	0.13
<b>Total (D)</b>	<b>0.13</b>
Less :GST credit taken on closing stocks as on 30 June 2017 as per provision of the Central Goods and Services Tax Act, 2017	
Work-in-progress	(3.09)
Finished goods	(4.47)
<b>Total (E)</b>	<b>(7.56)</b>
<b>Total (B-A+C+D+E)</b>	<b>(24.33)</b>

### 35 Employee benefits expense # (₹ in crore)

	For the year ended 31 March 2018
Salaries and wages	267.91
Contribution to provident and other funds	31.97
Staff welfare expenses	2.92
	<b>302.80</b>

# Net of amount capitalized refer note 4 (B).

## Notes to the consolidated financial statements (contd...)

### 36 Finance costs @

(₹ in crore)

	For the year ended 31 March 2018
Interest expenses #	54.74
Exchange difference on the principal amount of foreign currency borrowing*	3.62
Other borrowing costs	0.76
	<b>59.12</b>

@ Net of amount capitalized refer note 44.

# Net of interest subsidies under TUF (Technology Upgradation Fund) scheme amounting to ₹12.97 crore.

\* Exchange differences on the principal amount of the foreign currency borrowings to the extent that they are regarded as an adjustment to borrowing costs have been disclosed as "Finance costs".

### 37 Depreciation and amortisation expense

(₹ in crore)

	For the year ended 31 March 2018
Depreciation on property, plant and equipment	106.53
Amortisation on intangible assets	0.11
	<b>106.64</b>

### 38 Other expenses @

(₹ in crore)

	For the year ended 31 March 2018
Processing and job charges	11.36
Consumption of stores and spares	75.97
Power, fuel and water charges	256.18
Rent (refer note 43)	1.63
Insurance	6.60
Rates and taxes	0.72
Repairs and maintenance:	
Buildings	4.44
Plant and machinery	28.01
Others	2.56
Freight and forwarding expenses	62.66
Selling commission and brokerage	20.92
Payment to auditors #	0.83
Charity and donation ##	0.57
Loss allowance for doubtful debts	0.13
Directors' commission and fees	0.63
Excise duty	0.45
Miscellaneous expenses ^	40.93
	<b>514.59</b>

## Notes to the consolidated financial statements (contd...)

### 38 Other expenses @ (contd...)

(₹ in crore)

	For the year ended 31 March 2018
<b># Details of payments to auditors*</b>	
As auditor:	
Statutory audit fee	0.43
Tax audit fee	0.05
For limited review	0.05
Certification fees and other matters	0.20
Re-imburement of expenses	0.06
Branch auditors	
Certification fees and other matters	0.03
Re-imburement of expenses	0.01
	<b>0.83</b>

@ Net of amount capitalized refer note 4 (B).

## Includes ₹0.37 crore given to Samaj Electoral Trust Association.

\* Includes ₹ 0.20 crore paid to erstwhile auditors and ₹ 0.23 crore paid to subsidiary auditors.

### Note: Details of corporate social responsibility expenses

(₹ in crore)

	For the year ended 31 March 2018
(i) Gross amount required to be spend during the year	3.39
(ii) ^ Amount spent during the year (includes in miscellaneous expenses)	
(a) Construction /acquisition of any asset	0.78
(b) On purpose other than (a) above	5.48
	<b>6.26</b>

### 39 Exceptional items #

(₹ in crore)

	For the year ended 31 March 2018
Net fair value gain on financial assets measured at fair value through profit and loss	22.50
Dividend on preference share	19.33
	<b>41.83</b>

# Exceptional items for the year ended 31 March 2018 includes dividend income amounting to ₹19.33 crore pertaining to the years 2011 to 2016 on investment in non-convertible cumulative redeemable preference shares held in other Company received during the year. It also includes an amount of ₹22.50 crore pertaining to increase in valuation of said investment. Consequent to the increase in fair valuation, the resultant deferred tax charge of ₹7.50 crore has been disclosed under tax expense. These investments were measured at fair value and resultant impact of decrease in fair valuation of ₹ 17.99 crore (net of taxes) was recognised in retained earnings as at the date of transition (i.e. 1 April 2015) and subsequent increases will be recognized in statement of profit and loss.

## Notes to the consolidated financial statements (contd...)

### 40 Earning per share

(₹ in crore)

	For the year ended 31 March 2018
Profit for the year	113.36
Weighted average number of equity shares of ₹ 1/- each	16,38,28,620
Basic and Diluted (per share in ₹)	6.92

### 41 Contingent liabilities and commitments

#### A. Contingent liabilities (to the extent not provided for) in respect of:

(₹ in crore)

	As at 31 March 2018
1. Claim against the Parent Company not acknowledged as debts:	
a) Labour matters (including matter in respect of which stay granted by respective Hon'ble High Court), except for which the liability is unascertainable	4.41
2. Other matters for which the Parent Company is contingently liable:	
a) Demand raised by Excise Department for various matters	7.13
b) Demand for Entry tax (penalty and interest) [Net of ₹5.74 crore provided in accounts/ paid] (refer note 29)	8.87
c) Liability for non receipt of C form from customers excluding interest and penalty liability	3.65
3. The Parent Company has procured certain capital goods under EPCG Scheme at concessional rate of duty. As on 31 March 18 the Group is contingently liable to pay differential custom duty ₹16.50 crore on such procurement. In view of past export performance and future projections, the management is hopeful of completing the export obligation within stipulated time, and expect no cash outflow on this account.	

**Note: (i)** Pending resolution of the respective proceedings, it is not practicable for the Parent Company to estimate the timings of cash outflows, if any, in respect of the above as it is determinable only on receipt of judgments/ decisions pending with various forums/ authorities.

**Note: (ii)** The group has reviewed all its pending litigation and proceeding and has adequately provided for where provision required and disclosed as contingent liabilities where applicable, in its financial statements. The group does not expect the outcome of these proceeding to have a materially adverse effect on its financial position. The group does not expect any reimbursements in respect of the above contingent liabilities.

#### B. Commitments:

(₹ in crore)

	For the year ended 31 March 2018
a) Estimated amount of contracts remaining to be executed on capital account [net of advances] not provided for	5.42
b) The Parent Company has availed certain government subsidies/ grants. As per the terms and conditions, the Company has to continue production for specified number of years and others conditions failing which amount of subsidies availed alongwith interest, penalty etc. will have to be refunded.	

## Notes to the consolidated financial statements (contd...)

### 42 Segment information

#### A. Description of segments and principal activities

Segment information is presented in respect of the Group's key operating segments. The operating segments are based on the Group's internal reporting structure. The board of directors have been identified as the chief operating decision maker ('CODM'), since they are responsible for all major decision w.r.t. the preparation and execution of business plan, preparation of budget, planning, expansion, alliance, joint venture, merger and acquisition, and expansion of any facility. The Group's board examines the Group's performance both from a product and geographic perspective and have identified two reportable segments of its business:

- Yarn:** It comprises of cotton and man made fibres yarn;
- Home textiles :** It comprises of home furnishing and fabric processing.

The Group's board reviews the results of each segment on a quarterly basis. However, of subsidiary company it review on annual basis. The Group's board of directors uses earning before interest, tax and depreciation ('EBITDA') to assess the performance of the operating segments.

#### B. Information about reportable segments

Information related to each reportable segment is set out below. Segment EBITDA is used to measure performance because management believes that this information is the most relevant in evaluating the results of the respective segments relative to other entities that operate in the same industries.

#### Reportable Segments

(₹ in crore)

	Yarn	Home Textiles	Total
	For the year ended 31 March 2018	For the year ended 31 March 2018	For the year ended 31 March 2018
External revenues	2,334.15	142.59	2,476.74
<b>Segment revenue</b>	<b>2,334.15</b>	<b>142.59</b>	<b>2,476.74</b>
Segment result	170.21	(5.50)	164.71
Finance costs			59.12
Unallocated corporate income (net of expenses)*			51.59
<b>Profit before tax</b>			<b>157.18</b>
Tax expense			43.82
<b>Profit after tax</b>			<b>113.36</b>

\*Includes exceptional items of ₹ 41.83 crore refer (note 39).

#### Other information

(₹ in crore)

	Total assets			Total liabilities		
	Segment assets	Unallocated corporate assets	Total assets	Segment liabilities	Unallocated corporate liabilities	Total liabilities
<b>As at 31 March 2018</b>						
Yarn	1,888.84	–	1,888.84	893.81	–	893.81
Home textiles	228.79	–	228.79	115.87	–	115.87
Unallocated	–	70.68	70.68	–	271.69	271.69
<b>Total</b>	<b>2,117.63</b>	<b>70.68</b>	<b>2,188.31</b>	<b>1,009.68</b>	<b>271.69</b>	<b>1,281.37</b>

## Notes to the consolidated financial statements (contd...)

(₹ in crore)

	Capital expenditure	
	Segment capital expenditure	Total capital expenditure
<b>As at 31 March 2018</b>		
Yarn	75.28	75.28
Home textiles	19.57	19.57
<b>Total</b>	<b>94.85</b>	<b>94.85</b>

### C. Geographic information

The Yarn and Home Textile segments are managed on a worldwide basis, but operate manufacturing facilities primarily in India. The geographic information analyses the Group's revenue by the Group's country of domicile and other countries. In presenting the geographic information, segment revenue has been based on the geographic location of customers and segment assets were based on the geographic location of the assets.

#### a) Revenues from different geographies

(₹ in crore)

	For the year ended 31 March 2018
<b>Domestic</b>	1,694.92
<b>Export *</b>	747.68
	2,442.60
<b>Other operating income</b>	34.14
<b>Segment revenue</b>	<b>2,476.74</b>
<b>* Export</b>	
Turkey	228.46
Bangladesh	81.13
Rest of the World	438.09
	<b>747.68</b>

#### b) Non-current assets \*\*

(₹ in crore)

	As at 31 March 2018
India	1,132.41
Rest of the World	–
	<b>1,132.41</b>

\*\* Non-current assets exclude financial instruments and tax assets

## 43 Leases

### Operating lease

The Group's significant leasing arrangements are in respect of operating leases of premises for showroom, offices and guesthouses. These leasing arrangements, which are cancellable, are typically for a period of 11 months and are usually renewable on mutually agreeable terms. The Group has recognised expense amounting to ₹1.63 crore.

Pursuant to acquisition of business from Legacy Weavers LLC, step down subsidiary Company acquired lease agreements for the showrooms at High Point, North Carolina ("NC") and New York ("NY"). The lease term expiry dates for North Carolina and New York leases are 31 July 2018 and 31 October 2018 respectively. However, Company

## Notes to the consolidated financial statements (contd...)

has planned to renew the NC location rent agreement for further period of 3 years, from 01 November 2018 to 31 October 2021. The lease rental deposit is ₹0.07 crore and ₹0.02 crore for NY and NC locations respectively. The monthly lease rent is ₹0.03 crore and ₹0.02 crore for NY and NC locations respectively. The Company has also entered into agreement to take office on operating lease from a third party. The lease arrangement is for 6 years, including a non-cancellable term of 36 months.

The future minimum lease payments and payment profile of non-cancellable operating leases are as under: -

(₹ in crore)

	As at 31 March 2018
Not Later than one year	0.91
Later than one year but not later than five years	2.62
Later than five years	0.08
<b>Total</b>	<b>3.61</b>

#### 44 Borrowing cost

During the year, Parent Company has capitalized borrowing cost amounting to ₹0.50 crore under head plant and equipment and building. The capitalized rate used to determine the amount of borrowing cost to be capitalized is weighted average interest rate applicable to the entities general borrowing during including term loan and working capital the year is ~6.55 %.

#### 45 Employee benefits

The Parent Company contributes to the following post-employment defined benefit plans in India.

##### (i) Defined contribution plans:

The Parent Company makes contributions towards provident fund and superannuation fund to a defined contribution retirement benefit plan for qualifying employees. Under the plan, the Company is required to contribute a specified percentage of payroll cost to the retirement benefit plan to fund the benefits.

(₹ in crore)

	For the year ended 31 March 2018
Contribution to provident fund	17.85
Contribution to employee's state insurance	5.96
Contribution to superannuation scheme	0.52

##### (ii) Defined benefit plan:

The Holding Company provides for gratuity for employees in India as per the Payment of Gratuity Act. Employees who are in continuous service for a period of 5 years are eligible for gratuity. The amount of gratuity payable on retirement/termination is the employees last drawn basic salary per month computed proportionately for 15 days salary multiplied for the number of years of service. Gratuity liability (other than for Baddi unit) is being contributed to the gratuity fund formed by the Company and in case of Baddi unit makes contributions to Group gratuity cum life assurance schemes administered by the LIC of India.

The most recent actuarial valuation of plan assets and the present value of the defined benefit obligation for gratuity were carried out as at 31 March 2018. The present value of the defined benefit obligations and the related current service cost and past service cost, were measured using the projected unit credit method.

## Notes to the consolidated financial statements (contd...)

### A. Movement in net defined benefit (asset) liability

The following table shows a reconciliation from the opening balances to the closing balances for net defined benefit (asset) liability and its components:

#### a) Reconciliation of present value of defined benefit obligation: (₹ in crore)

	As at 31 March 2018
<b>Opening balance</b>	<b>41.52</b>
Benefits paid	(3.66)
Current service cost	6.56
Interest income	3.01
Actuarial loss (gain) arising from:	
- Changes in financial assumptions	(2.60)
- Changes in experience adjustment	(2.23)
<b>Closing balance</b>	<b>42.60</b>

#### b) Reconciliation of present value of fair value of plan assets: (₹ in crore)

	As at 31 March 2018
<b>Opening balance</b>	<b>41.52</b>
Contributions paid by the employer	1.72
Benefits paid	(3.66)
Interest income	3.01
Return on plan assets recognised in OCI	0.01
<b>Closing balance</b>	<b>42.60</b>

#### c) Reconciliation of net defined benefit (asset)/ liability: (₹ in crore)

	As at 31 March 2018
<b>Net defined benefit liability at the beginning of the year</b>	<b>-</b>
Total service cost	6.56
Re-measurements	(4.84)
Contribution paid to the fund	(1.72)
<b>Net defined benefit liability at the end of the year</b>	<b>-</b>

### B. Plan assets

For each major category of plan assets, following is the percentage that each major category constitutes of the fair value of the total plan assets:

	As at 31 March 2018
State/ Govt. of India securities	39%
Corporation bonds/ fixed deposits with banks	10%
Special deposit scheme with Bank	8%
HDFC group unit linked plan-option B	29%
Other investments -UTI master shares	6%
LIC fund	8%
	<b>100%</b>

## Notes to the consolidated financial statements (contd...)

### C. Actuarial assumptions

The following were the principal actuarial assumptions at the reporting date (expressed as weighted averages).

	As at 31 March 2018
Discount rate	7.88%
Expected rate of future salary increase	6.50%
Mortality	100% of IALM (2006 - 08)
Attrition at ages: -	
-Upto 30 years	3%
-From 31 to 44 years	2%
-Above 44 years	1%

Assumptions regarding future mortality have been based on published statistics and mortality tables.

The Group expects to pay ₹6.32 crore in contribution to its defined benefit plans in the next year

### D. Sensitivity analysis

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

(₹ in crore)

	As at 31 March 2018	
	Increase	Decrease
Discount rate (0.5% movement)	(1.92)	2.10
Expected rate of future salary increase (0.5% movement)	2.08	(1.92)

Sensitivities due to mortality and withdrawals are insignificant hence ignored. Sensitivities as to rate of inflation, rate of increase of pensions in payment, rate of increase of pensions before retirement and life expectancy are not applicable being a lump sum benefit on retirement.

Although the analysis does not take account of the full distribution of cash flows expected under the plan, it does provide an approximation of the sensitivity of the assumptions shown.

### Maturity profile of defined benefit obligation

(₹ in crore)

Year	As at 31 March 2018
0 to 1 year	7.03
1 to 2 year	0.08
2 to 3 year	1.04
3 to 4 year	1.17
4 to 5 year	1.02
5 to 6 year	1.01
6 year onwards	30.55

### E. Description of risk exposures:

Defined benefit plans expose the Group to actuarial risks such as: Interest rate risk, salary risk and demographic risk.

- i. **Interest rate risk:** The defined benefit obligation calculated uses a discount rate based on government bonds. If the bond yield falls, the defined benefits obligation will tend to increase.

## Notes to the consolidated financial statements (contd...)

- ii. **Salary risk:** Higher than expected increase in salary will increase the defined benefit obligation.
- iii. **Demographic risk:** This is the risk of variability of results due to unsystematic nature of decrements that includes mortality, withdrawals, disability and retirement. The effect of these decrements on the defined benefit obligation is not straight forward and depends on the combination of salary increase, discount rate and vesting criteria. It is important not to overstate withdrawals because in the financial analysis the retirement benefit of a short career employee typically costs less per year as compared to a long service employee.

### 46. Related parties

#### A. Related parties and their relationships

##### i Key Managerial Personnel (KMP) and their relatives

Name	Relationship
Mr. C. S. Nopany	Executive Chairman
Mr. U. K. Khaitan	Non-executive Director
Mr. Amit Dalal	Non-executive Director
Mr. Rajan Dalal	Non-executive Director
Mr. Rajiv K.Podar	Non-executive Director
Mr M.H. Rahman	Non-executive Director (up to 09 July 2017)
Mrs. Sonu Bhasin	Non-executive Director
Mr. Sukhvir Singh	Non-executive Director (upto 25 October 2017)
Mr. Rohit Dhoot	Non-executive Director (w.e.f. 25 October 2017)
Mr. Bipeen Valame	Whole Time Director and Chief Financial Officer
Mr. S.K. Khandelia	President and Chief Executive Officer

##### ii Entity in which KMP has significant influence:

Magadh Sugar and Energy Limited  
Avadh Sugar & Energy Limited

##### iii Entity which is post employment benefit:

Sutlej Textiles and Industries Employee Gratuity Fund

#### B. Transactions with the above in the ordinary course of business

(₹ in crore)

	For the year ended 31 March 2018
<b>a) Remuneration to Key Managerial Personnel *</b>	
Mr. C S Nopany	
- Short-term employee benefits	3.00
- Commission	4.17
Mr. S.K.Khandelia	
- Short-term employee benefits	5.74
- Post-employment benefits	1.30
Mr. Bipeen Valame	
- Short-term employee benefits	0.99
- Post-employment benefits	0.12

\* Does not include provisions/ contributions towards gratuity, compensated absences, as applicable as such provisions/ contributions are for the Company as a whole.

## Notes to the consolidated financial statements (contd...)

(₹ in crore)

	For the year ended 31 March 2018
<b>b) Director sitting fees</b>	
Mr. C S Nopany	0.03
Mr. U.K. Khaitan	0.05
Mr. Amit Dalal	0.06
Mr. Rajan Dalal	0.04
Mr. Rajiv K. Podar	0.07
Mr. M.H. Rahman	0.01
Ms. Sonu Bhasin	0.04
Mr. Sukhvir Singh	0.01
Mr. Rohit Dhoot	0.02
<b>c) Director commission</b>	
Mr. U.K. Khaitan	0.04
Mr. Amit Dalal	0.04
Mr. Rajan Dalal	0.04
Mr. Rajiv K. Podar	0.04
Mr. M.H. Rahman	0.01
Ms. Sonu Bhasin	0.04
Mr. Sukhvir Singh	0.02
Mr. Rohit Dhoot	0.02
<b>d) Rent paid</b>	
Mr. C S Nopany	0.05
(Including ₹ 0.01 crore payable at the year end)	
<b>Entity in which KMP has significant influence:</b>	
<b>e) Inter corporate deposit (ICD) given and repaid (including interest thereon) during the year</b>	
Magadh Sugar and Energy Ltd. - ICD amount	40.00
- Interest received on ICD	3.68
<b>f) Dividend received during the year</b>	
Avadh Sugar & Energy Limited	23.47
<b>g) Contribution to gratuity fund during the year</b>	2.70

## Notes to the consolidated financial statements (contd...)

### 47 Financial instruments – Fair values and risk management

#### I. Fair value measurements

##### A. Financial instruments by category

(₹ in crore)

	As at 31 March 2018	
	FVTPL	Amortised Cost
<b>Financial assets</b>		
Investments		
Equity shares of JNSB (₹ 5000 as at 31.3.18) *	0.00	–
Preference shares	50.97	–
Non-current loans	–	4.61
Trade receivables	–	335.05
Cash and cash equivalents	–	12.80
Bank balances other than cash and cash equivalents	–	1.75
Loans	–	0.61
Other current financial assets	–	5.67
	<b>50.97</b>	<b>360.49</b>

\*The total amount of investments in absolute value is ₹ 5,000, but for reporting purpose rounded up to ₹ 0.0 crore

(₹ in crore)

	As at 31 March 2018	
	FVTPL	Amortised Cost
<b>Financial liabilities</b>		
Borrowings	–	509.16
Other non-current financial liabilities	–	5.92
Short terms borrowings	–	438.11
Trade payables	–	101.11
Other current financial liabilities	0.70	153.76
	<b>0.70</b>	<b>1,208.06</b>

The carrying amounts of trade receivables, trade payables, capital creditors and cash and cash equivalents and other bank balances are considered to be the same as their fair values, due to their short-term nature.

The fair values of non-current borrowings are based on discounted cash flows using a current borrowing rate. They are classified as level 3 fair values in the fair value hierarchy due to the use of unobservable inputs, including own credit risk.

For financial assets and liabilities that are measured at fair value, the carrying amounts are equal to the fair values.

There are no transfers between level 1 and level 2 during the year

#### Valuation technique used to determine fair value

Specific valuation techniques used to value financial instruments include:

- the use of quoted market prices or dealer quotes for similar instruments
- the fair value of forward foreign exchange contracts is determined as per valuation provided by the bank
- the fair value of the remaining financial instruments is determined using discounted cash flow analysis.

All of the resulting fair value estimates are included in level 2 except for unlisted equity securities and preference shares, where the fair values have been determined based on present values and the discount rates used were adjusted for counterparty or own credit risk.

## Notes to the consolidated financial statements (contd...)

### B. Fair value hierarchy

This section explains the judgments and estimates made in determining the fair values of the financial instruments that are:

- (a) recognised and measured at fair value and
- (b) measured at amortised cost and for which fair values are disclosed in the consolidated financial statements.

To provide an indication about the reliability of the inputs used in determining fair value, the Group has classified its financial instruments into the three levels prescribed under the accounting standard. An explanation of each level follows underneath the table.

#### Financial assets and liabilities measured at fair value - recurring fair value measurements (₹ in crore)

	As at 31 March 2018			
	Level 1	Level 2	Level 3	Total
<b>Financial assets</b>				
<b>Financial investments at FVTPL</b>				
Investments				
Equity shares of JNSB (₹ 5000 in Level 3)*	-	-	0.00	0.00
Preference shares	-	-	50.97	50.97
<b>Total financial assets</b>	<b>-</b>	<b>-</b>	<b>50.97</b>	<b>50.97</b>
<b>Financial liabilities</b>				
Derivative liabilities	-	0.70	-	0.70
<b>Total financial liabilities</b>	<b>-</b>	<b>0.70</b>	<b>-</b>	<b>0.70</b>

\*The total amount of investments in absolute value is ₹ 5,000, but for reporting purpose rounded up to ₹ 0.0 crore

There are no transfers between level 1 and level 2 during the year

#### Valuation technique used to determine fair value

Specific valuation techniques used to value financial instruments include:

- the use of quoted market prices or dealer quotes for similar instruments
- the fair value of forward foreign exchange contracts is determined as per valuation provided by the bank
- the fair value of the remaining financial instruments is determined using discounted cash flow analysis.

All of the resulting fair value estimates are included in level 2 except for unlisted equity securities and preference shares, where the fair values have been determined based on present values and the discount rates used were adjusted for counterparty or own credit risk.

#### Fair value measurements using significant unobservable inputs (level 3) (₹ in crore)

	Unlisted equity shares	Unlisted preference shares
	As at 31 March 2018	As at 31 March 2018
<b>Opening balance *</b>	0.00	28.32
Acquisitions	-	-
Gains/losses recognised in statement of profit or loss	-	22.65
<b>Closing balance *</b>	<b>0.00</b>	<b>50.97</b>

\*The total amount of investments in absolute value is ₹ 5,000, but for reporting purpose rounded up to ₹ 0.0 crore

## Notes to the consolidated financial statements (contd...)

### Valuation inputs and relationships to fair value

(₹ in crore)

Type of Financial Instrument	Fair Value as at 31 March 2018	Significant unobservable inputs	Probability-weighted range	Sensitivity
Unquoted preference shares in Avadh Sugar & Energy Limited	50.38	Risk-adjusted discount rate	8.61% to 10.52%	Change of (+) 48/ (-) 47 basis points - Fair value would change by ₹ (-) 1.01 and ₹ (+)1.03 respectively
Unquoted preference shares in Palash Securities Limited	0.59	Non Dividend paying shares hence higher Discount rate charged as per RBI Guideline	16%	-
Unquoted equity shares (In equity shares of Co-operative Bank: The Jhalawar Nagrik Sahkari Bank Ltd., Bhawanimandi (₹ 5000 as at 31.3.18) *	0.00	-	-	-

\*The total amount of investments in absolute value is ₹ 5,000, but for reporting purpose rounded up to ₹ 0.0 crore. Sensitivity analysis of unlisted equity shares has been ignored being not material.

### Valuation process

The Group gets the valuations performed from an independent valuer, required for financial reporting purposes, including level 3 fair values.

The main level 3 inputs for unlisted preference shares used by the Group are derived and evaluated as follows:

- Risk adjusted discount rates are estimated based on expected cash inflows arising from the instrument and the entity's knowledge of the business and how the current economic environment is likely to impact it.

Changes in level 2 and 3 fair values are analysed at the end of each year.

## II. Financial risk management

The Company has exposure to the following risks arising from financial instruments:

- Credit risk;
- Liquidity risk and
- Market risk

### i. Risk management framework

The Group's board of directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The board of directors has established the processes to ensure that executive management controls risks through the mechanism of property defined framework.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed by the board annually to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to maintain a disciplined and constructive control environment in which all employees understand their roles and obligations.

## Notes to the consolidated financial statements (contd...)

### ii. Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and investments in debt securities. The carrying amount of financial assets represents the maximum credit exposure. The Group monitor credit risk very closely both in domestic and export market. The Management impact analysis shows credit risk and impact assessment as low.

#### Trade and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the factors that may influence the credit risk of its customer base, including the default risk of the industry and country in which customers operate.

The Group Management has established a credit policy under which each new customer is analyzed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered. The Group's review includes market check, industry feedback, past financials and external ratings, if they are available, and in some cases bank references. Sale limits are established for each customer and reviewed quarterly. Any sales exceeding those limits require approval from the President of the Group.

About 40% of the Group's customers have been transacting with the Group for over four years, and no significant impairment loss has been recognized against these customers. In monitoring customer credit risk, customers are reviewed according to their credit characteristics, including whether they are an individual or a legal entity, their geographic location, industry and existence of previous financial difficulties.

The Group establishes an allowance for impairment that represents its expected credit losses in respect of trade and other receivables. The management uses a simplified approach for the purpose of computation of expected credit loss for trade receivables

The carrying amount net of loss allowances of trade receivables is ₹ 335.05 crore.

#### Ageing of trade receivables are as under:-

(₹ in crore)

Particulars	Less than 6 months	6-12 months	More than 12 months	Total
As at 31 March 2018	323.99	9.68	1.38	335.05

During the year, the Group has made no write-offs of trade receivables, it does not expect to receive future cash flows or recoveries from collection of cash flows previously written off. The Group management also pursue all legal option for recovery of dues wherever necessary based on its internal assessment.

#### Reconciliation of loss allowance provision – Trade receivables

(₹ in crore)

	As at 31 March 2018
Opening balance	(1.68)
Less: Provision for doubtful debts written back	0.25
Add: Further provision for doubtful debts made	(0.13)
Changes in loss allowance	0.04
<b>Closing balance</b>	<b>(1.52)</b>

### iii. Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are fallen due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities and the availability of funding through an adequate amount of committed credit facilities to meet obligations when

## Notes to the consolidated financial statements (contd...)

due and to close out market positions. Due to the dynamic nature of the underlying businesses, the Group treasury maintains flexibility in funding by maintaining availability under committed credit lines.

Management monitors rolling forecasts of the Group's liquidity position (comprising the undrawn borrowing facilities) and cash and cash equivalents on the basis of expected future cash flows. This is generally carried out at unit level and monitored through corporate office of the Group in accordance with practice and limits set by the Group. These limits vary by location to take into account requirement, future cash flow and the liquidity in which the entity operates. In addition, the Group's liquidity management strategy involves projecting cash flows in major currencies and considering the level of liquid assets necessary to meet these, monitoring balance sheet liquidity ratios against internal and external regulatory requirements and maintaining debt financing plans.

### (a) Financing arrangements

The Group had access to the following undrawn borrowing facilities at the end of the year:

(₹ in crore)

	As at 31 March 2018
<b>Floating rate</b>	
Expiring within one year (credit limit and other facilities)	145.96
Expiring within one year (Term loans)	7.50
	<b>153.46</b>

The credit limit facilities may be drawn at any time and may be terminated by the bank without notice. Subject to the continuance of satisfactory credit ratings, the bank loan facilities may be drawn at any time in INR. and have an average maturity of 4 years 2 months as at 31 March 2018.

### (b) Maturities of financial liabilities

The following are the remaining contractual maturities of financial liabilities at the reporting date. The amounts are gross and undiscounted, and exclude contractual interest payments and the impact of netting agreements.

(₹ in crore)

	Carrying Amounts 31 March 2018	Contractual cash flows				
		Total	2 months or less	2–12 months	1–5 years	More than 5 years
<b>Non-derivative financial liabilities</b>						
Borrowings	509.16	509.16	–	–	398.78	110.38
Other non-current financial liabilities	5.92	5.92	–	–	0.78	5.14
Short term borrowings	438.11	438.11	323.52	114.59	–	–
Trade payables	101.11	101.11	83.20	17.91	–	–
Other current financial liabilities	153.76	153.76	49.96	103.80	–	–
<b>Total non-derivative liabilities</b>	<b>1208.06</b>	<b>1208.06</b>	<b>456.68</b>	<b>236.30</b>	<b>399.56</b>	<b>115.52</b>
<b>Derivatives (net settled)</b>						
Foreign exchange forward contracts	0.70	0.70	0.70	–	–	–
<b>Total derivative liabilities</b>	<b>0.70</b>	<b>0.70</b>	<b>0.70</b>	<b>–</b>	<b>–</b>	<b>–</b>

The interest payments on variable interest rate loans in the table above reflect market forward interest rates at the reporting date and these amounts may change as market interest rates change.

## Notes to the consolidated financial statements (contd...)

### iv. Market risk

Market risk is the risk that changes in market prices – such as foreign exchange rates and interest rates – will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

The Group uses derivatives like forward contracts to manage market risks on account of foreign exchange and various debt instruments on account of interest rates. All such transactions are carried out as per guidelines of the Management.

#### a. Currency risk

The Group is exposed to foreign exchange risk arising from foreign currency transactions, primarily with respect to the USD and small exposure in EUR and GBP. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the Group's functional currency (INR). The risk is measured through a forecast of highly probable foreign currency cash flows. The objective of the hedges is to minimise the volatility of the Rupees cash flows of highly probable forecast transactions by hedging the foreign exchange inflows on regular basis. The Group also take help from external consultants who for views on the currency rates in volatile foreign exchange markets.

Currency risks related to the principal amounts of the Group's foreign currency receivables and payables, have been partially hedged using forward contracts taken by the Group.

In respect of other monetary assets and liabilities denominated in foreign currencies, the Group's policy is to ensure that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances.

#### Exposure to currency risk

The summary quantitative data about the Group's exposure to currency risk as reported by the management of the Group is as follows

(Figures in crore)

	As at 31 March 2018			
	USD	EUR	GBP	CHF
<b>Financial assets/ liabilities</b>				
Trade receivables	2.44	0.06	0.00	-
Advances to suppliers	0.00	0.00	-	0.00
PCFC	(2.97)	-	-	-
Trade payables	(0.09)	(0.00)	(0.01)	-
Advance to Supplier	-	-	-	-
Advance from customers	(0.15)	(0.00)	0.00	-
<b>Net statement of financial position exposure</b>	<b>(0.77)</b>	<b>0.06</b>	<b>(0.01)</b>	<b>0.00</b>

#### (ii) Unhedged in foreign currency exposure

(Figures in crore)

	As at 31 March 2018			
	USD	EUR	GBP	CHF
<b>Financial assets/ liabilities</b>				
Trade receivables	-	0.04	0.00	-
Advances to suppliers	-	-	-	0.00
Trade payables	(0.09)	-	-	-
Advance from customers	(0.15)	(0.00)	0.00	-
<b>Net statement of financial position exposure</b>	<b>(0.24)</b>	<b>0.04</b>	<b>0.00</b>	<b>0.00</b>

## Notes to the consolidated financial statements (contd...)

### (iii) Derivative instruments

(Figures in crore)

	As at 31 March 2018		
	USD	EUR	GBP
Forward Contract for export trade receivables outstanding	0.95	0.02	0.00

### The following significant exchange rates have been applied

	Average Rates	Year end spot rates
	31 March 2018	31 March 2018
USD 1	64.33	65.04
EUR 1	75.92	80.62
CHF 1	68.49	68.21

### Sensitivity analysis

A reasonably possible strengthening (weakening) of the INR against USD at 31 March would have affected the measurement of financial instruments denominated in a foreign currency and affected equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

(₹ in crore)

	Profit or loss		Equity, net of tax	
	Strengthening	Weakening	Strengthening	Weakening
<b>31 March 2018</b>				
USD (10% movement)	0.49	(0.49)	0.32	(0.32)

### b. Interest rate risk

The Group's main interest rate risk arises from long-term borrowings with variable rates, which expose the Group to cash flow interest rate risk. During 31 March 2018, the Group's borrowings at variable rate were denominated in INR.

Currently the Group's borrowings are within acceptable risk levels, as determined by the management, hence the Group has not taken any swaps to hedge the interest rate risk.

### Exposure to interest rate risk

The interest rate profile of the Group's interest-bearing financial instruments as reported to the management of the Group is as follows.

(₹ in crore)

	Nominal Amount
	As at 31 March 2018
<b>Fixed-rate instruments</b>	
Financial assets	–
Financial liabilities	–
	–
<b>Variable-rate instruments</b>	
Financial assets	–
Financial liabilities	1,047.17
	<b>1,047.17</b>

## Notes to the consolidated financial statements (contd...)

### Cash flow sensitivity analysis for variable-rate instruments

A reasonably possible change of 100 basis points in interest rates at the reporting date would have increased (decreased) equity and statement of profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency exchange rates, remain constant.

(₹ in crore)

	Profit or loss		Equity, net of tax	
	50 basis points increase	50 basis points decrease	50 basis points increase	50 basis points decrease
<b>31 March 2018</b>				
Variable-rate instruments	(5.24)	5.24	(3.43)	3.43
<b>Cash flow sensitivity</b>	<b>(5.24)</b>	<b>5.24</b>	<b>(3.43)</b>	<b>3.43</b>

### Fair value sensitivity analysis for fixed-rate instruments

The Group does not account for any fixed-rate financial assets or financial liabilities at fair value through profit or loss. Therefore, a change in interest rates at the reporting date would not affect profit or loss.

A change of 50 basis points in interest rates would have increased or decreased equity by ₹ 3.43 crore after tax. This analysis assumes that all other variables, in particular foreign currency exchange rates, remain constant.

### c. Commodity price risks

The Group is exposed to the risk of price fluctuations of raw materials, dyes and chemicals, work-in-progress and finished goods. The Group manage its commodity price risk by maintaining adequate inventory of raw materials, dyes and chemicals, work in progress and finished goods considering future price movement. To counter raw materials risk, the Group worked with varieties of fibres (natural and manmade) with the objective to moderate raw material cost, enhance application flexibility and increase product functionality and also invested product development and innovation.

### Inventory sensitivity analysis (raw materials, dyes and chemicals, work in progress and finished goods)

A reasonably possible change of 10% in prices of inventory at the reporting date would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables remain constant.

(₹ in crore)

	Profit or loss		Equity, net of tax	
	10% increase	10% decrease	10% increase	10% decrease
<b>31 March 2018</b>				
Inventories (raw materials, dyes and chemicals, work in progress and finished goods)	47.93	(47.93)	31.34	(31.34)
	<b>47.93</b>	<b>(47.93)</b>	<b>31.34</b>	<b>(31.34)</b>

### 48 Disclosure as specified in Schedule V of SEBI (Listing Obligation and Disclosure Requirements) Regulation 2015:

(₹ in crore)

Name of the Loanee	Maximum amount during the year	Outstanding as at 31 March 2018
Magadh Sugar and Energy Limited (MSEL) #	40.00	-

# Due to approval of composite schedule of arrangement by Hon'ble National Company Law Tribunal (NCLT), bench at Allahabad, on 2 March 2017 exposure in inter corporate deposits in Upper Ganges Sugar & Industries Limited has swapped to MSEL

## Notes to the consolidated financial statements (contd...)

49 In respect of Okara Mills, Pakistan, (Which remained with the Group as a result of transfer of textiles division of Sutlej Industries Limited with the Group) no returns have been received after 31 March 1965. Against net assets of Okara Mills, Pakistan amounting to ₹ 2.32 crore, the demerged /transferor Company had received adhoc compensation of ₹ 0.25 crore from Government of India in the year 1972-73. These assets now vest in the Custodian of Enemy Property, Pakistan for which claim has been filed with the Custodian of Enemy Property in India. The Group shall continue to pursue its claim for compensation/ restoration of assets. Hence, further compensation, if any received, credit for the same will be taken in the year of receipt. In the year 2003-04, net assets of ₹ 2.07 crore (net of compensation received) as on 31 March 1965, valued at pre-devaluation exchange rate, has been provided for.

### 50 Disclosure u/s 186(4) of the Companies Act, 2013 :

#### a) Particulars of Loans given :-

(₹ in crore)

Sr. No	Name of the Loanee	Loan given during the Financial year	Loan repaid during the Financial Year	Outstanding balance at the year end	Purpose
1	Magadh Sugar and Energy Limited (refer note 48)	40.00	40.00	-	Business

#### b) Particulars of Investments made:-

(₹ in crore)

Sr. No	Name of the Investee	Investment made during Financial year	Outstanding Balance at the year end
1	Investment in 8.5% Non-Convertible Cumulative Redeemable Preference Shares (NCRPS) fully paid in Avadh Sugar & Energy Limited (refer note 5 B)	-	50.38
2	Investment in 8.5% Non-Convertible Cumulative Redeemable Preference Shares (NCRPS) fully paid in Palash Securities Limited (refer note 5 B)	-	0.59

### 51 Capital management

The Primary objective of the management of the Group's capital structure is to maintain an efficient mix of debt and equity in order to achieve a low cost of capital, while taking into account the desirability of retaining financial flexibility to pursue business opportunities and adequate access to liquidity to mitigate the effect of unforeseen events on cash flows. Management also monitors the return on equity.

The board of directors regularly review the Group's capital structure in light of the economic conditions, business strategies and future commitments. For the purpose of the Group's capital management, capital includes issued share capital and all other equity reserves. Debt includes term loans.

During the financial year ended 31 March 2018, no significant changes were made in the objectives, policies or processes relating to the management of the Groups capital structure.

#### (i) Debt equity ratio:

(₹ in crore)

Particulars	As at 31 March 2018
Term loan from banks	606.21
<b>Total debt (A)</b>	<b>606.21</b>
Equity share capital	16.38
Other equity	890.56
<b>Total equity (B)</b>	<b>906.94</b>
<b>Debt equity ratio (C=A/B)</b>	<b>0.67</b>

## Notes to the consolidated financial statements (contd...)

### (ii) Return on equity

(₹ in crore)

Particulars	As at 31 March 2018
Profit after tax	113.36
Equity share capital	16.38
Other equity	890.56
<b>Total equity</b>	<b>906.94</b>
<b>Return on equity ratio (%)</b>	<b>12.50%</b>

(iii) The Group's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. Management monitors the return on capital as well as the level of dividends to ordinary shareholders. The weighted-average interest expense on interest-bearing borrowings (excluding liabilities with imputed interest) was 5.79%.

### 52 Business combination

On 18 October 2017, the wholly owned subsidiary of the Company, erstwhile known as Sutlej USA, LLC entered into an asset purchase agreement with American Silk Mills, LLC ("ASM") to acquire certain assets and liabilities of the business. ASM was primarily engaged in the design, manufacture and worldwide distribution of textiles to wholesalers, manufacturers and retailers for the home furnishing industry. Post-acquisition, Sutlej USA, LLC acquired the brand name of American Silk Mills, LLC and ASM's name was changed to Legacy Weavers, LLC.

The effective closing took place on 6 November 2017 for a purchase consideration of ₹ 17.00 crore (Equivalent USD \$ 0.26 crore). The Company accounted the acquisition by following the purchase method of accounting wherein total purchase consideration was allocated to all acquired assets and assumed liabilities. The purchase price allocation ('PPA') is being undertaken to assess the fair value of assets and liabilities acquired in the acquisition. However, the initial accounting of the business combination is not completed as the appraisal values of intangible assets are in progress. The amounts recorded in the financial statements are provisional and the adjustments, if any, will be made retrospectively once completed.

#### a. Purchase consideration

(₹ in crore)

Particulars	As at 31 March 2018
Cash and cash equivalents	17.00
<b>Total</b>	<b>17.00</b>

Of the total purchase consideration, ₹ 16.52 crore was paid on 6 November, 2017 and balance amount of ₹ 0.48 crore is shown as creditors for capital goods in consolidated balance sheet (Refer Note 27) which represents retention amount as per the agreement.

#### b. Identifiable assets acquired and liabilities assumed

(₹ in crore)

Particulars	As at 31 March 2018
Property, plant and equipment	0.47
Other non current financial assets	0.09
Inventories	5.99
Trade receivables	11.53
Other current assets	0.03
Trade payables	(5.67)
Other financial liabilities	(0.29)
<b>Total net identifiable assets acquired</b>	<b>12.15</b>

## Notes to the consolidated financial statements (contd...)

### c. Measurement of fair values

Assets acquired	Valuation technique
i) Property, plant and equipment	Property, plant and equipment have been valued on a provisional basis.
ii) Inventories	<b>Market comparison technique:</b> The fair value is determined based on the estimated selling price in the ordinary course of business less the estimated costs of completion and sale based on the effort required to complete and sell the inventories.

The Group accounted the acquisition by following the purchase method of accounting wherein total purchase consideration was allocated to all acquired assets and assumed liabilities. The purchase price allocation ('PPA') is being undertaken to assess the fair value of assets and liabilities acquired in the acquisition. However, the initial accounting of the business combination is not completed as the appraisal values of intangible assets are in progress. The amounts recorded in the financial statement are provisional and adjustments, if any, will be made retrospectively once completed.

### d. Goodwill arising from the acquisition

Goodwill arising from the acquisition has been determined as follows:

(₹ in crore)

Particulars	Note	Amount
Consideration transferred	a	17.00
Fair value of net identifiable assets	b	(12.15)
<b>Goodwill arising from the acquisition</b>		<b>4.85</b>

### e. Goodwill arising from investment in subsidiary

(₹ in crore)

Particulars	Amount
Investment in shares of Sutlej Holding Inc.	30.64
Less: Share capital as per Sutlej Holding Inc.	(29.12)
	1.52
Add: Goodwill arising from the acquisition [refer note 52 (d)]	4.85
Exchange difference on foreign currency translation	0.03
<b>Total</b>	<b>6.40</b>

# Pursuant to the investment in Sutlej Holdings Inc, the excess of cost of its investment in Sutlej Holdings Inc over the Group's portion of equity in Sutlej Holdings Inc, amounting to ₹ 1.52 crore has been treated as 'Goodwill on consolidation'. The goodwill on consolidation is tested for impairment and accordingly no impairment charges were identified for the year ending 31 March 2018.

- 53 The disclosures in the financial statements regarding holdings as well as dealings in specified bank notes during the period from 8 November 2016 to 30 December 2016 have not been made since, they do not pertain to the financial year ended 31 March 2018.

However, amounts as appearing in the audited financial statements for the year ended 31 March 2017 have been disclosed.

(₹ in crore)

Particulars	SBNs	Other	Total
Closing cash in hand as on 8 November 2016	1.32	0.23	1.55
(+) Permitted receipts	-	1.16	1.16
(-) Permitted payments	-	1.07	1.07
(-) Amount deposited in Banks	1.32	-	1.32
<b>Closing cash in hand as on 30 December 2016</b>	<b>-</b>	<b>0.32</b>	<b>0.32</b>

## Notes to the consolidated financial statements (contd...)

### 54 Additional information as required under Schedule III to the Companies Act, 2013, of enterprises consolidated as subsidiaries. (₹ in crore)

Name of the enterprise	Net assets i.e. total assets - total liabilities share		Share in profit or loss for the year	
	As % of consolidated net assets	Amount	As % of consolidated profit or loss	Amount
1. <b>Holding Company</b>	96.75	877.44	99.80	113.13
2. <b>Foreign subsidiary Company</b>				
Sutlej Holdings, Inc. (including American Silk Mills. LLC)	3.25	29.50	0.20	0.23
	<b>100.00</b>	<b>906.94</b>	<b>100.00</b>	<b>113.36</b>

(₹ in crore)

Name of the enterprise	Other comprehensive income for the year		Total comprehensive income for the year	
	As % of consolidated other comprehensive income for the year	Amount	As % of consolidated total comprehensive income for the year	Amount
1. <b>Holding Company</b>	95.69	3.11	99.68	116.24
2. <b>Foreign subsidiary Company</b>				
Sutlej Holdings, Inc. (including American Silk Mills. LLC)	4.31	0.14	0.32	0.37
	<b>100.00</b>	<b>3.25</b>	<b>100.00</b>	<b>116.61</b>

55 This being first year of consolidation, hence previous year figures are not applicable.

### Signatures to Notes 1 to 55

In terms of our report of even date attached

**For B S R & Co. LLP**

Chartered Accountants

Firm Regn. No.101248W / W-100022

**Rajiv Goyal**

Partner

Membership No -094549

Place : Gurugram

Date : 11 May 2018

For and on behalf of the Board of Directors of

**Sutlej Textiles and Industries Limited**

**Rajan Dalal**

Director

DIN : 00546264

**Bipeen Valame**

Wholetime Director & CFO

DIN : 07702511

Place : New Delhi

Date : 11 May 2018

**C. S. Nopany**

Executive Chairman

DIN : 00014587

**Manoj Contractor**

Company Secretary

M. No. : A11661

Place : New Delhi

Date : 11 May 2018



sutlej  
textiles and industries limited

Sutlej Textiles and Industries Limited