Precot

August 21, 2021

The Manager, Listing Department
National Stock Exchange of India Ltd
'Exchange Plaza', C 1, Block G
Bandra – Kurla Complex, Bandra (E)
Mumbai 400 051

Dear Sir/Madam,

Sub: Annual Report for the financial year 2020-21

Pursuant to Regulation 34 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, we hereby submit 59th Annual Report for the financial year 2020-21 along with the Notice.

The Company has also sent Annual Report to the shareholders on 21st August 2021 who have registered their email address with the Company/Registrar and Transfer Agent/ Depositories and is also available on the Company's website.

This is for your information and records.

Thanking you,

Yours truly,

**For Precot Limited**

**S Kavitha**
**Company Secretary**

Precot Limited (Formerly Precot Meridian Limited)
Regd Office, D Block, 4th Floor, Hanudev Info Park, Nava India Road,
Udaiyampalayam, Coimbatore - 641 028
Tel: 0091 422 4321100 | Fax: 0091 422 4321200 | Email: co@precot.com
CIN: L17111TZ1962PLC001183 | Website: www.precot.com

# ANNUAL REPORT 2021

Precot

| | |
|---|---|
| **Directors** | Sumanth Ramamurthi<br>Jairam Varadaraj<br>C N Srivatsan<br>R Bhuvaneshwari<br>P Vijay Raghunath |
| **Chairman and Managing Director** | Ashwin Chandran |
| **Vice Chairman and Managing Director** | Prashanth Chandran |
| **Executive Director** | T Kumar |
| **Chief Financial Officer** | A P Ramkumar |
| **Company Secretary** | S Kavitha |
| **Statutory Auditors** | M/s VKS Aiyer & Co., Coimbatore |
| **Registered Office** | S.F. No. 559/4, D Block, 4th Floor,<br>Hanudev Info Park<br>Nava India Road, Udaiyampalayam<br>Coimbatore - 641028.<br>Email : secretary@precot.com<br>Website : www.precot.com<br>CIN : L17111TZ1962PLC001183 |
| **Registrar and Share transfer agent** | Link Intime India Pvt Limited,<br>"Surya", 35, Mayflower Avenue,<br>Senthil Nagar, Sowripalayam Road,<br>Coimbatore - 641028.<br>E-mail : coimbatore@linkintime.co.in |

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Dear Shareholders,

Your Directors hereby present the 59th Annual Report of your Company along with the financial results for the year ended 31st March, 2021.

**State of affairs of the company**

**a. Financial results** (₹ In lakhs)

| **Particulars** | **31.03.2021** | **31.03.2020** |
|---|---|---|
| **Revenue from operations** | **66,514** | **72,612** |
| **PBIDT** | **9,314** | **4,831** |
| Less: Finance cost | 3,272 | 3,919 |
| **Profit from Operations** | **6,042** | **913** |
| Other Income | 570 | 1,065 |
| **PBDT** | **6,612** | **1,978** |
| Less: Depreciation and Amortisation | 3,317 | 3,274 |
| **PBT (Before Exceptional item)** | **3,295** | **(1296)** |
| **Exceptional item** | **-** | **-** |
| **PBT (After Exceptional item)** | **3,295** | **(1296)** |
| Less: Tax expenses | - | 357 |
| MAT Credit | - | - |
| Deferred Tax | - | - |
| **Profit After Tax** | **3,295** | **(1652)** |
| Other Comprehensive Income | (149) | (898) |
| **Total Comprehensive Income** | **3,146** | **(2550)** |
| Add: Opening balance in Retained Earnings including OCI | 12,540 | 15,090 |
| Less: Transfer to General Reserve | - | - |
| Less: Provision for proposed dividend (including dividend tax) | - | - |
| **Closing balance in Retained Earnings including OCI** | **15,686** | **12,540** |

**b. Dividend and transfer to reserves**

Although your Company has earned a profit during the financial year, the Directors are not in a position to recommend a dividend in view of the provisions of Rule 3 of Companies (Declaration and Payment of Dividend) Rules, 2014. No amount was proposed to be transferred to reserves.

**Industry Overview**

FY 2020-21 was a turnaround year for your Company. Despite the year starting with the nationwide lockdown and the uncertainty caused by the Covid-19 pandemic being felt throughout, the turnaround was possible due to the sharp recovery in demand for textile products in the second half of the year, as well as the excellent performance of the technical textile division. The performance of the spinning industry was affected severely right from the start of the financial year by the nationwide lockdown imposed by the Central Government. Even after the gradual relaxation of the lockdown, the complete freeze in retail trading had resulted in lot of inventory pile up in the supply chain and there was very limited consumer demand. Consequently, the first quarter was a complete washout for the spinning industry. Consumer demand started to pick up from the beginning of the second quarter, starting from the casual wear, leisure wear and undergarment sectors in the domestic market and the home textile and knitted garments sectors in the export markets. However operations were still at suboptimal levels due to Covid related stoppages and non-availability of workers.

During the third quarter, before operations normalized, the demand for yarn across all segments and markets had raised to high levels. This was due to the fact that several down-stream industries had resumed operations prior to the spinning industry. As a result the supply chain inventories had dried up and there was a shortage of yarn in the market which caused yarn prices to trend upwards. This trend prevailed until the end of the fourth quarter and the yarn prices continued to raise steadily right until April, 2021. The country ended the year with a similar level of yarn exports, both in quantity and value terms, as in the previous financial year backed by a very strong performance post November, 2020.

The technical textile division caters primarily to the hygiene and cosmetic sectors and demand for these products remained strong right from the first quarter, especially from the US market. Demand came down to normal levels post the second quarter. The Indian technical textile industry was in the forefront of the fight against Covid. The country became the second largest manufacturer and exporter of PPE kits and masks within a very short span of time. The demand for technical textile products in the Medtech and Protech segments will continue to remain robust and will spur significant growth in this industry during the current fiscal.

**Review of operations**

Your Company registered a turnover of Rs. 666 Crores during FY 2020-21, a decrease of 8% compared to the previous year. Turnover reduced on account of the very low yarn production and sales during the first quarter. Whereas, Profit from operations increased to Rs. 60.4 Crores compared to Rs. 15.4 Crores in the prior year. During the year under review, your Company has reaped the benefits of the improvements in productivity, quality and product mix that were done in the spinning business during the past three years. We have also increased production in all our units by 5-10 % by optimizing our machinery set-up and improving yarn productivity. Your Company will complete the planned investments in compact spinning and spindle monitoring systems during FY 2021-22.

We are very glad to note that the technical textiles division achieved its best annual performance so far with a turnover of Rs.139 Crores as compared to Rs.119 Crores in the previous year. The division was positive at a PBT level for the first time on the back of favourable conditions such as a weaker rupee, robust demand and lower raw material prices for most of the year. The performance tapered down due to lower demand and rising input costs in the fourth quarter.

**Outlook for the current year**

Global textile trade exhibited a very resilient performance during the year. Demand for textile products, especially in casual wear and home textiles continues to be strong globally with the opening up of the economies in the US and Europe. The anti-China sentiment prevailing worldwide and the "China plus one" sourcing strategy being employed by many manufacturers and retailers, has opened the doors for a lot of Indian exporters to capitalize, across industries. The Indian Textiles and Clothing Industry are also well poised to take advantage of this situation.

However, the second wave of the pandemic in India and our low rate of vaccination is a major cause for concern. We have already seen several Indian states imposing lockdowns of varying degrees starting from March and continuing until June. Our operations have also been affected by these lockdowns and the ensuing disruptions caused to the movement of people and logistics. We continue to operate wherever possible by following all necessary safety protocols and ensuring the health and well-being of our employees. We are also taking efforts to ensure that all our employees are vaccinated at the earliest.

The steep rise in commodity prices have resulted in higher raw material, freight, chemicals and packaging costs which are affecting the bottom line. This is a concern going forward, especially in the technical textiles division.

**Change of Company Name**

During the year under review, name of your Company has been changed from "Precot Meridian Limited" to "Precot Limited" with effect from 14th December, 2020.

**Personnel**

The Company has been able to continue maintaining cordial relations with its labour force in all its units. The Company has 1596 permanent employees on the roll as on 31st March, 2021.

**Internal Control Systems & Risk Management**

The Company has adequate internal control systems to monitor business processes, financial reporting and compliance with applicable Regulations. The systems are periodically reviewed, by the Audit Committee of the Board, for identification of deficiencies and necessary timely corrective actions were taken to improve the controls at all levels. The committee also reviews the statutory auditors' report, key issues, significant processes and accounting policies. e Board and Committees thereof and the attendance particulars of the Directors in such meetings are provided under the Corporate Governance Report.

**Declaration by Independent Directors**

The Independent Directors have submitted their disclosures to the Board confirming that they fulfill the requirements enumerated under Section 149(6) of the Companies Act, 2013 (hereinafter "the Act"), and Regulation 25 of The Securities Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations,2015.

**Directors and Key Managerial Personnel (KMP)**

**Re - Appointments**

During the financial year 2020-21, there was no appointment of Directors or Key Managerial Personnel in the Company.

The members at the 55th Annual General Meeting held on 5th September, 2017 had appointed Mr Vijay Raghunath as Independent Director of the Company for a term of 5 (five) consecutive years upto 31st May,2022.

The Board, based on the recommendation of the Nomination and Remuneration Committee and the performance evaluation of the Independent Directors, has recommended the re-appointment of Mr Vijay Raghunath as an Independent Director for a term of 5 (five) consecutive years on the Board of the Company from 1st June, 2022 to 31st May, 2027.

Considering the background, experience and contributions made by Mr Vijay Raghunath during his tenure, his continued association as an Independent Director would be beneficial to the Company and it is desirable to continue to avail his services. Accordingly, it is proposed to re-appoint Mr Vijay Raghunath as an Independent Director of the Company, not liable to retire by rotation. A suitable resolution is being moved at the ensuing Annual General Meeting for his reappointment.

**Retirements and Resignations**

There is no cessation of office by any Director due to death or resignation. However, Mr T Kumar Executive Director had retired by rotation, being eligible, offered for reappointment and was reappointed as Director at the last AGM held on 24.09.2020.

The following are the whole-time key managerial personnel of the Company as per Section 203 of the Act as on 31st March,2021, (i) Mr Ashwin Chandran, Chairman and Managing Director (ii) Mr A P Ramkumar, Chief Financial Officer & (iii) Mrs S Kavitha, Company Secretary.

**Performance Evaluation**

The Board of Directors at their meeting held on 23rd March, 2021, had carried out an annual evaluation of its own performance and the performance of the Committees of the Board and the individual Directors pursuant to the provisions of the Act and the corporate governance requirements as prescribed by Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements), Regulations 2015 (hereinafter "Listing Regulations").

The performance of the Board was evaluated by the Board of Directors after seeking inputs from all the Directors on the basis of criteria such as Board composition and structure, effectiveness of the Board meetings and process and contributions made by the Directors.

The performance evaluation of each Director was done by the entire Board of Directors, excluding the Director being evaluated, taking into consideration inputs received from the other Directors, covering various aspects of the Board's functioning such as active participation and contribution during discussions, effective deployment of knowledge and expertise towards the growth and betterment of the Company, impact and influence on the growth of the Company and performance of specific duties, obligations and governance.

The performance of the committees was evaluated by the Board after seeking inputs from the committee members on the basis of criteria such as the composition of the committees and effectiveness of the committee meetings.

In a separate meeting of Independent Directors held on 23rd March, 2021 performance of the non-independent Directors, performance of the Board as a whole and performance of the Chairman were evaluated, taking into account the views of the executive Directors and non-executive Directors.

The Board also carried out an evaluation on the performance of the Independent Directors and also verified the fulfillment of the criteria for independence as specified under listing Regulations and their independence from the management. This evaluation of Independent Directors was done by the entire Board, excluding the Independent Directors being evaluated.

**Policy on Director's appointment and remuneration and other details**

The Company's policy on Director's appointment and remuneration and other matters provided in Section 178(3) of the Act has been disclosed in the Corporate Governance Report.

**Auditors' report and Secretarial Auditors' report**

The auditors' report and secretarial auditors' report do not contain any qualifications, reservation or adverse remarks.

During the year under review, neither the Statutory auditors nor the Secretarial Auditor have reported to the Audit Committee, any instances of fraud committed against the Company by its officers or employees.

The report of the Secretarial Auditor is furnished as **Annexure A** and forms part of this report.

**Receipt of any commission by Whole Time Directors from the Company or receipt of commission/remuneration from subsidiary Company**

During the year under review the all the Executive Directors have received commission from the Company. They have not received any commission/ remuneration from subsidiaries during the year under review.

**Annual Return**

The extract of the annual return pursuant to Section 92 read with rule 12 of the Companies (Management and Administration) Rules, 2014 is available on the website of the Company www.precot.com under investor relations.

**Secretarial Standards**

The Company complies with all the applicable mandatory secretarial standards issued by the Institute of Company Secretaries of India.

**Particulars of Employees**

The particulars as required under rule 5 of Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, is provided in **Annexure B.**

**Consolidation of Accounts**

The Company has control over "Suprem Associates", a partnership firm by holding majority of the shares in the firm. The accounts of the said firm are consolidated as per the requirement of Indian Accounting Standards (IndAS).

**Maintenance of Cost Records**

The Company is maintaining the cost records as specified under Section 148(1) of the Companies Act, 2013.

**Audit Committee**

The Company has constituted an Audit Committee as per Section 177 of the Act and Listing Regulations.

The details pertaining to vigil mechanism, composition and meetings of the Audit Committee are included in the Corporate Governance Report.

**Energy Conservation, Technology Absorption and Foreign Exchange Earnings and Outgo**

The details as required under Section 134(3)(m) of the Act read with Rule 8 of the Companies (Accounts) Rules, 2014, is detailed in **Annexure C.**

**Corporate Governance**

A report on corporate governance is furnished as **Annexure D** and forms part of this report. This includes other disclosures as required under the provisions of the Act. The Company has complied with the conditions relating to corporate governance as stipulated in Regulation 34 of the Listing Regulations.

**Corporate Social Responsibility (CSR)**

The CSR Committee comprises of 1. Mr Ashwin Chandran, 2. Mr Prashanth Chandran and 3. Mr Sumanth Ramamurthi. This committee takes care of CSR policy execution to ensure that the CSR objectives of the Company are met. The CSR policy deals with allocation of funds, activities, identification of programmes, approval, implementation, monitoring and reporting. .

For the financial year 2020-21, the Company was not required to spend on CSR activities as per the provisions of the Companies Act.

The CSR policy is available on the Company's website http://www.precot.com/investor-relations/

**Particulars of Loan, Guarantees or Investments**

Details as per the provisions of Section 186 of the Act, is given under notes to financial statements.

**Related Party Transactions**

None of the transactions with related parties falls under the scope of Section 188(1) of the Act. Information on transactions with related parties pursuant to Section 134(3)(h) of the Act read with rule 8(2) of the Companies (Accounts) Rules, 2014 are given in **Annexure E** in Form AOC-2 and the same forms part of this report.

The Board has approved a policy for related party transactions which is available on the Company's website http://www.precot.com/investor-relations/

**Directors' responsibility statement**

**The Directors confirm that:**

a) The applicable accounting standards have been followed and proper explanations provided relating to material departures, if any,

b) The Company has adopted prudent and consistent accounting policies so as to give a true and fair view of the state of affairs of the Company,

c) Proper and sufficient care has been taken for maintenance of adequate accounting records under the provisions of the Companies Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities,

d) The annual accounts of the Company have been prepared on a going concern basis,

e) The internal financial controls are adequate and are operating effectively, and

f) A proper system for ensuring compliance of all the applicable laws are put in place and are operating effectively.

**Statutory Auditors**

M/s VKS Aiyer & Co., Chartered Accountants (Firm Registration No. 000066S), pursuant to the provisions of Section 139 of the Act, were appointed as the statutory auditors of the Company for a term of 5 years from the conclusion of the 56th AGM till the conclusion of the 61st AGM to be held in the year 2023. They have confirmed that they are not disqualified and are eligible to continue in the office for the year 2021-22.

**Cost Auditor**

Pursuant to Section 148 of the Act, read with the Companies (Cost Records and Audit) Rules 2014, the Board of Directors, on the recommendation of the Audit Committee, appointed Mr Ramasubramania Raja, Cost Accountant, as the cost auditor of the Company for the financial year 2021-22.

Accordingly, a resolution seeking member's ratification for the remuneration payable to Mr Ramasubramania Raja, Cost Auditor is included as Item No. 7 of the AGM notice.

**Secretarial Auditor**

Pursuant to Section 204 of the Act, the Board of Directors has appointed Mr K Duraisami, Practicing Company Secretary, Coimbatore as the secretarial auditor of the Company for the financial year 2021-22.

**Insider Trading Regulations**

Based on the requirements under SEBI (Prohibition of Insider Trading) Regulations, 2015, the 'Insider Trading Code' to regulate, monitor and report trading by insiders and the 'Code of Practices and Procedures for fair disclosure of Unpublished Price Sensitive Information' are in force.

**Change in nature of business**

There was no change in the nature of the business of the Company during the year under review.

**Deposits from public**

The Company has not accepted any deposits from public and as such, no amount on account of principal or interest on deposits from public was outstanding as on the date of the balance sheet.

**Material Changes**

No material changes or commitments affecting the financial position of the Company occurred between the end of the financial year (i.e.31st March, 2021) and the date of this report.

**Vigil Mechanism/ Whistle Blower Policy**

The Company has formulated and published a Whistle Blower Policy to provide Vigil Mechanism for employees including Directors of the Company to report genuine concerns and to ensure strict compliance with ethical and legal standards across the Company. The provisions of this policy are in line with the provisions of the Section 177(9) of the Act and Listing Regulations, are available on the website of the Company at http://www.precot.com/investor-relations/. The details of Whistle Blower Policy forms part of the Corporate Governance Report annexed with this report.

**Disclosure under the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013**

The Company has constituted an internal complaints committee to address the complaints regarding sexual harassment. All employees are covered under this policy. The Company has not received any complaints during the year under review. The details relating to Complaints forms part of the Corporate Governance report.

**Details of Application made or any proceeding pending under The Insolvency and Bankruptcy Code, 2016 during the year**

No applications have been made and no proceedings are pending against the Company under the Insolvency and Bankruptcy Code, 2016 during the year under review.

**Details of difference between amount of the valuation done at the time of one time settlement and the valuation done while taking loan from the banks or financial institutions along with the reasons thereof**

The disclosure under this clause is not applicable as the Company has not undertaken any one-time settlement with the banks or financial institutions during the year under review.

**Unclaimed Shares**

In accordance with the requirement of Regulation 34(3) and Schedule V Part F of Listing Regulations, the details in respect of equity shares lying in the suspense account is as follows.

| Particulars | Number of share holders | Number of Equity Shares |
|---|---|---|
| Aggregate number of shareholders and the outstanding shares in the suspense account as on 01-Apr-2020 | 271 | 51050 |
| Number of shareholders approached the Company for transfer of shares from suspense account during the year | 40 | 6325 |
| Number of shareholders to whom shares were transferred from suspense account during the year | 40 | 6325 |
| Aggregate number of shareholders and outstanding shares in the suspense account as on 31-Mar-2021 | 231 | 44725 |

The voting rights on the shares outstanding in the suspense account as on 31st March, 2021 shall remain frozen till the rightful owner of such shares claims the shares.

**Acknowledgement**

Your Directors thank the Shareholders, Customers, Suppliers and Bankers for their continued support during the year. Your Directors also place on record their appreciation of the contributions made by Employees at all levels towards the growth of the Company.

By order of the Board
**Ashwin Chandran**
Chairman and Managing Director

Coimbatore
10-June-2021

## ANNEXURE A

### FORM NO. MR-3

### SECRETARIAL AUDIT REPORT

**For the Financial Year Ended 31st March, 2021**

[Pursuant to Section 204(1) of the Companies Act, 2013, Rule No.9 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 and Regulation 24A of the SEBI (Listing obligation and disclosure Requirements) Regulations, 2015.]

To,

The Members,
**Precot Limited**
**(formerly known as Precot Meridian Limited)**
SF. No. 559/4, D Block,
4th Floor Hanudev Info Park,
Nava India Road, Udaiyampalayam,
Coimbatore - 641028

I have conducted the secretarial audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by **PRECOT LIMITED** (formerly known as Precot Meridian Limited) [CIN: L17111TZ1962PLC001183]. Secretarial Audit was conducted in a manner that provided us a reasonable basis for evaluating the corporate conducts/statutory compliances and expressing our opinion thereon.

Based on my verification of 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 **31st March, 2021** 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 31st March, 2021 according to the provisions of:

(i) The Companies Act, 2013 (the Act) and the rules made there under;

ii. The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made there under;

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 there under to the extent applicable. There was no Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings during the year under review;

(v) The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act'):-

(a) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;

(b) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015;

(c) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018;

(d) The Securities and Exchange Board of India (Share Based Employee Benefits Scheme) Regulations, 2014;

(e) The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008;

(f) The Securities and Exchange Board of India (Listing Obligation and Disclosure Requirements) Regulations, 2015 ;

(g) 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;

(h) The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009;

(i) The Securities and Exchange Board of India (Buy-back of Securities) Regulations, 2018 requiring compliance thereof by the Company during the audit period; and

(j) The Securities and Exchange Board of India (Depositories and Participants) Regulations, 2018.

(vi) Based on the information provided by the Company, its officers and authorized representatives, there are no laws specifically applicable to the Company

I have relied on the representation made by the Company and its officers, relating to systems and mechanisms framed by the Company, for ensuring compliance with the other Laws and Regulations as applicable to the Company.

I have also examined compliance with the applicable clauses / Regulations of the following:

(i) Secretarial Standards with respect to Meetings of Board of Directors (SS-1) and General Meetings (SS-2) issued by The Institute of Company Secretaries of India.

(ii) The Uniform Listing Agreement entered into with National Stock Exchange of India Limited pursuant to the provisions of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015

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

**I further report that** during the period under audit, there were no events / actions have taken place in pursuance of:

i. The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018;

ii. The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008;

iii. The Securities and Exchange Board of India (Share Based Employee Benefits Scheme) Regulations, 2014;

iv. The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009; and

v. The Securities and Exchange Board of India (Buy-back of Securities) Regulations, 2018,

requiring compliance thereof by the Company during the audit period.

**I further report that,** the compliance by the Company of applicable financial laws such as direct and indirect tax laws and maintenance of financial records and books of accounts have not been reviewed in this audit since the same have been subject to review by the statutory financial auditors, tax auditors and other designated professionals.

**I further report that,** the Board of Directors of the Company is duly constituted with proper balance of Executive Director, Non-Executive Directors, Woman Independent Director and Independent Directors.

Adequate notice is given to all Directors before the schedule of the Board Meetings, agenda and detailed notes on agenda were sent at least seven days in advance, and a system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting. Notes on agenda which are circulated less than the specified period, the necessary compliances under the Companies Act, 2013 and Secretarial Standards on Board Meetings are complied with. During the year under review, Directors have participated in the Committees / Board meetings through video conferencing, such meetings were properly convened and recorded in compliance with the provisions of Section 173 (2) of the Act read with Rule 3 & 4 of Companies (Meetings of Board and its Powers) Rules, 2014.

Based on the verification of the records and minutes, the decisions were carried out with the consent of the Board of Directors / Committee Members and no Director / Member dissented on the decisions taken at such Board / Committee Meetings. Further, in the minutes of the General Meetings the number of votes cast against the resolutions has been recorded.

**I further report that,** based on the review of compliance mechanism established by the Company, I am of the opinion that the management has adequate systems and processes commensurate with its size and volume of operations, to monitor and ensure compliance with all applicable laws, rules, Regulations and guidelines.

**I further report that,** during the audit period, the Company has changed its name from **"Precot Meridian Limited"** to **"Precot Limited"** with due compliance of Law. Other than that, there were no specific events / actions, having major bearing on the Company's affairs in pursuance of above referred laws, rules, Regulations, guidelines and standards have taken place.

This report is to be read with our letter of even date, annexed hereto and forms an integral part of this report.

**K Duraisami**
Company Secretary in Practice
FCS No. 6792, C P No. 18308

Place : Coimbatore
Date : 8.06.2021
ICSI UDIN : F006792C000412692

**Annexure**

To,
**The Members,**
Precot Limited (formerly known as Precot Meridian Limited)
SF. No. 559/4, D Block,
4th Floor Hanudev Info Park,
Nava India Road, Udaiyampalayam,
Coimbatore - 641028

My report of even date is to be read along with this letter.

1. Maintenance of Secretarial records is the responsibility of the management of the Company. My responsibility is to express an opinion on these secretarial records based on my audit.
2. I have followed the audit practices and processes as were appropriate to obtain reasonable assurance about the correctness of the contents of the secretarial records. The verification was done on 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 the management representation about the compliance of laws, rules, and Regulations and happening of events etc.
5. The compliance of the provisions of corporate and other applicable laws, rules, Regulations and standards is the responsibility of management. My examination was limited to the verification of procedures on random test basis.
6. The secretarial audit report is neither an assurance as to the future viability of the Company nor of the efficacy or effectiveness with which the management has conducted the affairs of the Company.

**K Duraisami**
Company Secretary in Practice
FCS No. 6792, C P No. 18308

Place : Coimbatore
Date : 8.06.2021
ICSI UDIN : F006792C000412692

## ANNEXURE B - PARTICULARS OF EMPLOYEES

Statement pursuant to Section 197(12) of the Act, read with the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, is as follows:

I. **Particulars pursuant to rule 5 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014.**

a) The ratio of the remuneration of each Director to the median employee's remuneration for the financial year and the percentage increase in remuneration of each Director, Chief Financial Officer, Company Secretary in the financial year 2020-21:

| Name | Ratio | % increase in remuneration* |
|---|---|---|
| Mr Ashwin Chandran | 67.29 | 45.73 |
| Mr Prashanth Chandran | 60.38 | 56.90 |
| Mr Sumanth Ramamurthi | 0.94 | - |
| Dr Jairam Varadaraj | 0.29 | - |
| Mr C N Srivatsan | 0.69 | - |
| Ms R Bhuvaneshwari | 0.69 | - |
| Mr T Kumar | 37.92 | 19.25 |
| Mr P Vijay Raghunath | 0.45 | - |
| Mr A P Ramkumar (CFO) | NA | (7.40) |
| Mrs S Kavitha (CS) | NA | (4.34) |

* Note : Percentage increase in remuneration not considered for non-executive Directors, as they are paid remuneration by way of sitting fee for attending the meetings. There is no change in sitting fee during the FY 2020-21.

b) Percentage of remuneration increased to whole time Directors due to receipt of commission from the Company.

c) Due to Covid 19, salary cut was adopted. Hence there is no increase in the median remuneration of employees in the financial year.

d) The Company has 1596 permanent employees on the rolls as on 31st March,2021

e) Average percentage increase already made in the salaries of employees other than key managerial personnel in the last financial year- Nil. The average increase in the key managerial remuneration was 33.99% (due to payment of Commission)

f) Is the remuneration as per the remuneration policy of the Company: Yes

**II. A) The names of the top ten employees in terms of remuneration drawn during the period under review**

| Name | Date of Joining | Designation | Qualification | Age | Experience (Years) | Remuneration (₹ in lakhs) | Last Employed |
|---|---|---|---|---|---|---|---|
| Mr Ashwin Chandran | 01.08.1997 | Chairman and Managing Director | B. Sc (Hons), MBA | 45 | 23 | 134.58 | - |
| Mr Prashanth Chandran | 14.07.2003 | Vice Chairman and Managing Director | B. Engg | 40 | 16 | 120.75 | - |
| Mr T Kumar | 26.02.2016 | Executive Director | DTT | 52 | 33 | 75.84 | GTN Textiles |
| Mr Ravikumar | 20.12.2018 | Unit Head | B Tech | 50 | 26 | 40.33 | Concorde Textiles |
| Mr A P Ramkumar | 01.06.2018 | Chief Financial Officer | B.Com, ACA, CMA | 51 | 23 | 35.78 | Souriau India Pvt Ltd. |
| Mr K V John | 23.11.2009 | Vice President | DTT | 55 | 37 | 24.13 | Ambika Cotton Mills Ltd |

**The names of the top ten employees in terms of remuneration drawn during the period under review (Contd.,)**

| Name | Date of Joining | Designation | Qualification | Age | Experience (Years) | Remuneration (₹ in lakhs) | Last Employed |
|---|---|---|---|---|---|---|---|
| Mr Annadurai | 02.07.2018 | Head HR | Bsc, DLL, BL, MBA, MLM | 54 | 28 | 23.70 | Lucas TVS |
| Mr Nagarajan S | 06.11.2019 | AGM | DTT, B Tech | 50 | 28 | 21.78 | Sri Lakshmi Ganesh Spg Mills |
| Mr V Shanmugam | 20.04.1997 | DGM | DTT, MA | 53 | 33 | 19.51 | Schlafhorst Mrktg Co |
| Mr Varadaraj S | 01.12.1990 | DGM | BE | 54 | 31 | 15.28 | Super Spinning Mills |

DGM - Deputy General Manager; AGM - Assistant General Manager

Note : 1. Mr Ashwin Chandran is brother of Mr Prashanth Chandran and vice versa. None of the others are related to each other.

2. Nature of employment of Mr Ashwin Chandran, Mr Prashanth Chandran and Mr T Kumar are contractual and others are permanent.

3. No. of shares held by Mr Ashwin Chandran and Mr Prashanth Chandran are provided in Annual Return available on the Company's website http://www.precot.com/investor-relations/. None of the others hold any shares in the Company.

**B) The names of every employee who employed throughout the year and was in receipt of remuneration not less than ₹ 102 Lakhs per annum :**

1. Mr Ashwin Chandran - ₹ 134.58 lakhs
2. Mr Prashanth Chandran - ₹ 120.75 lakhs

**ANNEXURE C**

**a. Conservation of Energy**

**Conservation of energy continues to receive increased emphasis at all the units of the Company. Energy audits and inter unit comparisons are carried out on a regular basis for reduction of energy consumption.**

1. For conservation of energy the Company purchases third party wind power instead of operating gen sets,
2. For alternate source of energy the Company has installed windmills with a capacity of 5.50 MW for captive consumption, and
3. During the year, the Company has not spent any amount towards cost reduction and energy conservation equipments.

**b. Technology Absorption, Adaptation and Innovation Research and Development.**

Research and Development activities are carried out on an ongoing basis for improving the efficiency and also for improving quality of its products. The Company has not absorbed any particular technology from any outside source. However the Company adopts latest technology available in the industry. No separate expenditure was incurred for R&D.

**c. Foreign Exchange Earnings ( ₹ in crores)**

Earnings - 272.23

Outflow - 58.79

Net Earnings - 213.44

# ANNEXURE D - REPORT ON CORPORATE GOVERNANCE

## I. Company's philosophy on code of governance

The Company adopts a self-governing corporate governance model to adhere to all the Rules and Regulations of the statutory authorities. It also discharge its duties and obligations in a fair and transparent manner with the object of maximizing the value of the stakeholders namely shareholders, employees, financial institutions, customers and suppliers.

## II. Board of directors - composition, category and attendance

The Company has a very balanced structure of the Board of Directors, which primarily takes care of the business needs and stakeholders' interest. The composition of the Board also complies with the provisions of the Companies Act, 2013 and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

The Board comprises of eight Directors including three (3) executives and five (5) non-executive Directors.

During the year 2020-21, the Board of Directors met five times on 26-June-2020, 12-Aug-2020, 11-Nov-2020, 10-Feb-2021 and 23-Mar-2021. The last annual general meeting (AGM) was held through Video Conference on 24-Sep-2020.

**Composition of directors and their attendance**

| Name of the director | Category | Attendance | | No. of directorships in other companies* | No. of committees** | | Names of listed entities in which directorship is held & Category of directorship |
|---|---|---|---|---|---|---|---|
| | | Board Meetings | Last AGM | | Member | Chairman | |
| Mr Ashwin Chandran (DIN: 00001884) | Chairman - Executive - Promoter | 5 | Yes | 5 | 2 | 2 | Kovilpatti Lakshmi Roller Flour Mills Limited (Non-Executive Independent Director) |
| Mr Prashanth Chandran (DIN:01909559) | Vice Chairman - Executive - Promoter | 5 | Yes | 1 | 2 | - | - |
| Mr Sumanth Ramamurthi (DIN:00002773) | Non-Executive - Independent | 5 | Yes | 6 | 4 | 1 | Super Spinning Mills Limited (Executive Director) |
| Dr Jairam Varadaraj (DIN:00003361) | Non-Executive - Independent | 2 | No | 10 | 13 | 2 | Elgi Equipments Limited (Executive Director) Thermax Limited (Non Executive Independent Director)<br>Magna Electro Castings Limited (Non Executive Independent Director)<br>Elgi Rubber Company Limited (Non Executive Director Non Independent Director) |
| Mr C N Srivatsan (DIN:00002194) | Non-Executive -Independent | 5 | Yes | 1 | 3 | 3 | Rane Engine Valve Limited (Non Executive Independent Director) |
| Ms R Bhuvaneshwari (DIN:01628512) | Non-Executive - Independent | 5 | No | 4 | 4 | - | Elgi Rubber Company Limited (Non Executive Independent Director)<br>Kovai Medical Center and Hospital limited(Non Executive Independent Director) |
| T Kumar (DIN:07826033) | Executive - Non Promoter | 5 | No | - | - | - | - |
| Mr P Vijay Raghunath (DIN:00002963) | Non Executive - Independent | 4 | No | 3 | 4 | - | Elgi Rubber Company Limited (Non Executive Independent Director) |

* Excluding directorships in private Companies and foreign Companies including unlisted public Companies

** Chairmanship/ Membership of the committees includes Audit Committee, Stakeholders' Relationship Committee, Nomination and Remuneration Committee and Corporate Social Responsibility committee.

The number of Directorships, committee memberships/ chairmanships of all Directors are within respective limits prescribed under the Act and listing Regulations. DINs mentioned in this Section will apply to the names of the Directors in all other references in this report.

All the Independent Directors have complied the conditions specified under listing regulations and are independent from the management.

**Disclosure of relationships between directors inter-se**

Mr Ashwin Chandran is the brother of Mr Prashanth Chandran and vice versa. None of the other Directors are related to each other.

**List of Core Skills/ Expertise/ Competencies as identified by the Board as required for the business to function effectively & those available with the Board**

The Board members of the Company have the required skills, competencies and expertise that allows them to make effective contribution to the Board and its Committees.

| | | |
|---|---|---|
| **Financial** | - | Rich financial expertise in formulating the strategic plan for business, financial and related aspects. |
| **Textile Functions** | - | Sound Knowledge in the textile operations and technology. |
| **Legal** | - | Advice to the Board and assists in the decision making relating to legal and governance aspects. |
| **Technology** | - | Sound knowledge in technical aspects of the Industry. |

| Name of the director | Qualification | Skills and Expertise |
|---|---|---|
| Mr Ashwin Chandran (DIN: 00001884) | B.Sc (Hons.), MBA | He has more than 20 years of experience in the textile industry. |
| Mr Prashanth Chandran (DIN:01909559) | B.E (Hons.) | He has almost 17 years of experience in the textile industry. |
| Mr Sumanth Ramamurthi (DIN:00002773) | BS Electrical Engineer | He has over three decades of experience in textile industry |
| Dr Jairam Varadaraj (DIN:00003361) | MBA, Ph.D in business administration | He has more than 25 years of experience in the field of engineering. |
| Mr C N Srivatsan (DIN:00002194) | Chartered Accountant | He has more than 25 years of experience in the field of management consultancy. |
| Ms R Bhuvaneshwari (DIN:01628512) | B.Com, B.L | She has more than 20 years experience specializing in Corporate law. |
| Mr T Kumar (DIN:07826033) | DTT | He has over 25 years experience in textile industry (Spinning Division) |
| Mr P Vijay Raghunath (DIN:00002963) | B.Com, B.L | He has over 26 years of experience in the legal profession. |

## III. Committees of the Board

### A. Audit committee

The audit committee of the Company is constituted in compliance with the provisions of Section 177 of the Companies Act, 2013 and Regulation 18 (1) of the listing Regulations.

The terms of reference of the audit committee are broadly as under:

a) Oversight of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible;
b) Recommend the appointment, remuneration and terms of appointment of auditors of the Company;
c) Reviewing with the management, the annual financial statements and auditors' report thereon before submission to the Board for approval;
d) Reviewing with the management, the quarterly financial statements before submission to the Board for approval;
e) Review and monitor the auditors' independence and performance, and effectiveness of audit process;
f) Approval or any subsequent modification of transactions of the Company with related parties;
g) Scrutiny of inter-corporate loans and investments;
h) Evaluation of internal financial controls and risk management systems;
i) Reviewing with the management, performance of statutory and internal auditors, adequacy of the internal control systems;
j) Discussion with internal auditors of any significant findings and follow up thereon;
k) 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;
l) 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;
m) Establish a vigil mechanism for Directors and employees to report genuine concerns in such manner as may be prescribed;
n) To review the functioning of whistle blower mechanism;
o) The audit committee may call for the comments of the auditors about internal control systems, the scope of audit, including the observations of the auditors and review of financial statement before their submission to the Board and may also discuss any related issues with the internal and statutory auditors and the management of the Company;
p) Carrying out any other function as is mentioned in the terms of reference of the audit committee.

All the members of the audit committee are independent and they possess sound knowledge of finance, accounts and the textile industry. The quorum for audit committee meeting is two independent Directors.

The chairman of the audit committee, Mr C N Srivatsan was present at the last annual general meeting.

During the year, the audit committee met four times on 26-Jun-2020, 12-Aug-2020, 11-Nov-2020 and 10-Feb-2021. The composition of the audit committee and particulars of meetings attended by the members are given below:

| Name of the member | Category | No. of meetings attended |
|---|---|---|
| Mr C N Srivatsan - Chairman | Non-Executive - Independent | 4 |
| Dr Jairam Varadaraj | Non-Executive - Independent | 2 |
| Ms R Bhuvaneshwari | Non-Executive - Independent | 4 |
| Mr Sumanth Ramamurthi | Non-Executive - Independent | 4 |
| Mr P Vijay Raghunath | Non-Executive - Independent | 3 |

The statutory auditors, internal auditor and executives of the Company also attended the meetings. Necessary quorum was present for all the meetings. The minutes of the audit committee meetings were placed at the Board meetings.

The Company Secretary acts as the secretary of the committee.

**B. Nomination and Remuneration committee**

The nomination and remuneration committee of the Board is constituted in compliance with Section 178 of the Act and Regulation 19 of the Listing Regulations.

The Nomination and Remuneration Policy is available on the Company's website http://www.precot.com/investor-relations/.

The committee looks into and determines the Company's policy with regard to the remuneration packages of the executive Directors, appointment/ reappointment of Directors etc.

The executive Directors are paid remuneration approved by the Board of Directors on the recommendation of nomination and remuneration committee. The said remuneration is approved by the shareholders by special resolutions at the general meetings.

The Company does not have employee stock option scheme.

**Terms of reference**

a) To identify persons who are qualified to become Directors, key managerial persons and senior management personnel and to recommend to the Board their appointment / removal

b) To carry out evaluation of every Director's performance, and

c) To formulate and recommend to the Board, a policy determining remuneration, qualifications, positive attributes and independence of a Director.

The Company pays remuneration by way of salary, benefits, perquisites and allowances (fixed component) and commission (variable component) to its executive Directors. The notice period and severance fees are as per the policy of the Company.

During the year, the nomination and remuneration committee met 3 times on 26-Jun-2020,11-Nov-2020 and 23-Mar-2021 at the Registered Office of the Company. Necessary quorum was present for the meetings. The Company secretary acts as the secretary of the committee.

**The composition and particulars of meetings attended by the members are given below.**

| Name of the member | Category | No. of meetings attended |
|---|---|---|
| Mr C N Srivatsan - Chairman | Non-Executive - Independent | 3 |
| Dr Jairam Varadaraj | Non-Executive - Independent | 1 |
| Ms R Bhuvaneshwari | Non-Executive - Independent | 3 |

Non executive Directors have taken reduced sitting fee due to Covid outbreak upto September 2020. Hence the Company paid a sitting fee of Rs.12,000 (instead of Rs.15000) per meeting upto September 2020 to its non-executive Directors for attending meetings of the Board of Directors and the audit committee. The sitting fees paid for other committee meetings is Rs.4,000 (instead of Rs.5000) per meeting upto September 2020.

From October 2020 onwards, the Company paid a sitting fee of Rs.15,000 per meeting to its non-executive Directors for attending meetings of the Board of Directors and the audit committee and Rs.5000 for attending committee meetings.

**Performance evaluation criteria for Independent Director**

The performance evaluation criteria for independent Directors are determined by the inputs received from the Directors. An indicative list of factors for evaluation includes participation and contribution by a Director, effective deployment of knowledge and expertise towards the growth and betterment of the Company, impact and influence on the growth of the Company.

**Details of the remuneration for the financial year ended 31-Mar-2021**

The remuneration paid/payable to the executive Directors of the Company for the year ended 31-Mar-2021, are as under

(₹ in Lakhs)

| Name of the director | Salary and Perks | Commission | Total | Service contract |
|---|---|---|---|---|
| Mr Ashwin Chandran<br>Chairman and Managing Director | 82.96 | 51.62 | 134.58 | 01.04.2020 to 31.03.2023 |
| Mr Prashanth Chandran<br>Vice Chairman and Managing Director | 69.13 | 51.62 | 120.75 | 01.04.2020 to 31.03.2023 |
| Mr T Kumar<br>Executive Director | 58.63 | 17.21 | 75.84 | 01.04.2020 to 31.03.2023 |

The Company does not pay remuneration to any of its non-executive Directors barring sitting fees for attending the meeting(s).

The details of the sitting fees paid during the year and number of shares held by the non-executive Directors are as under:

| Name of the director | Sitting fees (₹) | No. of Shares held |
|---|---|---|
| Mr Sumanth Ramamurthi | 1,87,000 | 8557 |
| Dr Jairam Varadaraj | 58,000 | 75 |
| Mr C N Srivatsan | 1,37,000 | - |
| Ms R Bhuvaneshwari | 1,37,000 | - |
| Mr P Vijay Raghunath | 99,000 | 75 |

There has been no materially relevant pecuniary transaction or relationship between the Company and its non executive Directors during the year.

**Policy for appointment and remuneration of Directors, KMP and senior management**

The nomination and remuneration committee (NR Committee) and the Board of Directors, have adopted a nomination and remuneration policy, which, inter alia, deals with the criteria for appointment of the Directors, KMP and senior management personnel and their remuneration. The detailed policy is available on the Company's website http://www.precot.com/investor-relations/

**C. Stakeholders' relationship committee**

The stakeholders' relationship committee is constituted in compliance with Section 178 of the Act and Regulation 20 of the Listing Regulations.

The committee deals in matters relating to transfer and transmission of shares, issue of duplicate share certificates, review of dematerialized shares, redressing of investors complaints. The share transfers/ transmissions are approved/ratified by the committee. The minutes of the committee are placed at the Board meetings from time to time.

**Terms of reference**

a) To resolve the grievances of the security holders of the Company,

b) To approve share transfer, transmission, issue duplicate certificates, fresh share certificates by way of split or consolidation of the existing certificates,

c) To specifically look into the various aspects of interest of shareholders, debenture holders and other security holders

d) To review the measures taken for effective exercise of voting rights by shareholders

e) To review the adherence to the service standards adopted by the Company in respect of various services being rendered by the Registrar & Share Transfer Agent

f) To review the various measures and initiatives taken by the Company for reducing the quantum of unclaimed dividends and ensuring timely receipt of dividend warrants/ annual reports/ statutory notices by the shareholders of the Company and

g) Any other matter relating to the security holders or matters assigned/ delegated by the Board.

Five meetings of the stakeholders relationship committee were held during the year under review i.e. 30-Jun-2020, 15-Sep-2020, 31-Oct-2020, 17-Nov-2020 and 11-Jan-2021. The necessary quorum was present for all the meetings. . Ms S Kavitha, Company Secretary acts as the secretary of the committee and Compliance officer for redressing the shareholders grievance. Chairman of the Stakeholders Relationship Committee had attended the Annual General Meeting of the Company held on 24-Sep-2020.

The composition of the Stakeholders relationship committee and particulars of meetings attended by the members are as follows:

| **Name of the member** | **Category** | **No. of meetings attended** |
|---|---|---|
| Mr Sumanth Ramamurthi - Chairman | Non-Executive - Independent | 5 |
| Mr Ashwin Chandran | Executive - Non Independent | 5 |
| Mr Prashanth Chandran | Executive - Non Independent | 5 |

Details of complaints received and redressed during the period under review

| Opening balance | Received during the year | Redressed during the year | Closing balance |
|---|---|---|---|
| Nil | 1 | 1 | Nil |

**D. Other Committees**

**1. Corporate social responsibility committee**

The committee looks into and determines the Company's policy with regard to the CSR activities to be undertaken by the Company. The committee comprises of the following members a) Mr Ashwin Chandran (Chairman), b) Mr Prashanth Chandran and c) Mr Sumanth Ramamurthi.

**Terms of reference**

a) To formulate and recommend to the Board, a CSR policy which shall indicate the activities to be undertaken by the Company as specified in Schedule VII of the Act,

b) Recommend the amount of expenditure to be incurred on the activities referred in the CSR policy, and

c) Monitor the CSR policy of the Company from time to time.

**2. Risk management committee**

The Company has constituted a Risk Management Committee and adopted a policy on risk management, for identifying and managing risk.

The committee comprised of the following members Mr C N Srivatsan, Mr Ashwin Chandran, Mr Prashanth Chandran, Mr A P Ramkumar and Mrs S Kavitha.

Presently audit committee reviews the risk management policy periodically.

**3. Finance committee**

The committee consists of the following Directors as its members a) Mr Ashwin Chandran (Chairman) b) Mr Prashanth Chandran (Member) c) Mr Sumanth Ramamurthi (Member). The finance committee is responsible for approval of the opening and closing of bank accounts, borrowings, investments and to authorise persons to operate the bank accounts of the Company.

**Independent directors' meeting**

In accordance with the provisions of schedule IV of the Companies Act, 2013, and Regulation 25(3) of the listing Regulations. A meeting of the independent Directors of the Company was held on 23-Mar-2021 without the attendance of non-independent Directors and members of the Management.

| Name of the member | Category | No. of meetings attended |
|---|---|---|
| Mr Sumanth Ramamurthi | Independent | 1 |
| Dr Jairam Varadaraj | Independent | - |
| Ms R Bhuvaneshwari | Independent | 1 |
| Mr Sumanth Ramamurthi | Independent | 1 |
| Mr P Vijay Raghunath | Independent | 1 |

**Terms and conditions for appointment of independent directors**

The terms and conditions for appointment of independent Directors are placed on Company's website http://www.precot.com/investor-relations/

**Familiarisation program for independent directors**

The details of familiarisation program for the independent Directors are placed on the website of the Company http://www.precot.com/investor-relations/

**Compliance officer**
S Kavitha
Company Secretary and Compliance Officer

**Address for Correspondence**
Precot Limited,
Regd Office: D Block, 4th Floor, Hanu Dev Info Park,
Nava India Road, Udaiyampalayam,
Coimbatore – 641028
Phone: 0422-4321100; FAX: 0422-4321200
Email: secretary@precot.com; Website: www.precot.com
CIN: L17111TZ1962PLC001183

**Management analysis report**

The management analysis report forms part of this annual report.

**General body meetings**

The general body meetings of the Company during the preceding three years are:

| Details | Dates and time | Special Resolutions |
|---|---|---|
| 2018, 56th AGM | 07-Sep-2018 at 4.30 pm, held at Chamber towers, Avinashi Road, Coimbatore - 641018 | 1. Re-appointment of Mr Sumanth Ramamurthi (DIN: 00002773) as Independent Director<br>2. Re-appointment of Dr Jairam Varadaraj (DIN: 000058056) as Independent Director<br>3. Re-appointment of Mr C N Srivatsan (DIN: 00002194) as Independent Director<br>4. Re-appointment of Ms R Bhuvaneshwari (DIN: 01628512) as Independent Director |
| 2019, 57th AGM | 19-Sep-2019 at 4.30 pm, held at Ardra Hall, “Kaanchan” 9, North Huzur Road , Coimbatore 641 018. | 1. Revision of remuneration payable to Mr T Kumar. (DIN: 07826033) |
| 2020, 58th AGM | 24-Sep-2020 at 4.00 pm, held through Video conference | 1. Reappointment of Mr Ashwin Chandran (DIN: 00001884) as Chairman and Managing Director<br>2. Reappointment of Mr Prashanth Chandran (DIN: 01909559) as Vice Chairman and Managing Director<br>3. Reappointment of Mr T Kumar (DIN: 07826033) as Executive Director |

**Postal Ballot:**

During the year, the Company conducted Postal Ballot vide Notice dated 14th October, 2020, for obtaining the approval of the members for the resolutions as detailed below.

| Particulars of Resolution | Type of resolution | No of Valid votes polled | Votes cast in favour | | Votes cast against | | Invalid votes cast |
|---|---|---|---|---|---|---|---|
| | | | No of votes | % of votes | No of votes | % of votes | |
| Approval for change in Name of the Company | Special Resolution | 7487719 | 7487713 | 100.00 | 6 | 0.00 | Nil |
| Alteration of the Memorandum of Association of the Company | Special Resolution | 7487719 | 7487713 | 100.00 | 6 | 0.00 | Nil |
| Alteration of the Articles of Association of the Company | Special Resolution | 7487719 | 7487713 | 100.00 | 6 | 0.00 | Nil |

Mr.K.Duraisami, Company Secretary in Practice, Coimbatore, was appointed as the scrutinizer for carrying on the postal ballot process in a fair and transparent manner for postal ballot conducted during the year.

**Postal Ballot proposed to be conducted:**

As on date of this report, the Company does not foresee the need for postal ballot to pass any resolution in the financial year 2021-22.

**Procedure for Postal Ballot:**

Pursuant to the provisions of Section 108 & 110 of the Companies Act, 2013 read with Rule 22 of the Companies (Management and Administration) Rules, 2014 (as amended) and Regulation 44 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the resolutions as specified in the Notice of the Postal Ballot dated 14th October, 2020 were transacted through Postal Ballot / e-voting. The Company had engaged the services of Link Intime India Private Limited (LIIPL) for providing e-voting facility to the members. The members holding shares as on the cut-off date of Friday, October 16, 2020 were provided the option of exercising their right to vote on the said resolution(s) through postal ballot / e-voting during the period commencing Wednesday, October 21, 2020 to Thursday, November 19, 2020. Upon completion of the voting period, the scrutinizer completed the scrutiny of votes cast and submitted his report to the Managing Director. The results of the voting were declared on Friday, 20th November, 2020 on the website of the National Stock Exchange, Company and LIIPL.

No EGM or court convened meeting of members was held during the year.

**Code of conduct**

The Board of Directors has laid down a code of conduct for all the Board members and senior management of the Company. The same has been posted on the website of the Company.

All Board members and senior management personnel have affirmed their compliance with the code of conduct for the year under review. A declaration to that effect signed by the chairman is attached and forms part of the annual report of the Company.

**Code of conduct for insider trading**

As per SEBI (Prohibition of insider trading) Regulations, 2015, the Company has adopted a code of conduct for prevention of insider trading and a code of practices and procedures for fair disclosure of unpublished price sensitive information. All the promoters, Directors, designated persons, employees at senior management level and other employees who could have access to the unpublished price sensitive information of the Company are governed by this code. During the year under review there has been due compliance with the said code.

**Means of communication**

The quarterly, half-yearly and yearly financial results of the Company are sent to the stock exchange immediately after the approval of the Board. These are widely published in Business Standard (National issue) and Malai Murasu (Tamil daily). These results are simultaneously posted on the website of the Company at http://www.precot.com/investor-relations/

The Company follows April - March as the financial year. The tentative dates of Board meetings for consideration of quarterly financial results for the financial year ending 31st March, 2022 are as follows. However these dates are subject to change according to availability of Directors.

| | | | |
|---|---|---|---|
| 1) | First quarter results | - | First week of August 2021, |
| 2) | Second quarter and Half yearly results | - | First week of November 2021, |
| 3) | Third quarter results | - | First week of February 2022, |
| 4) | Fourth and Annual results | - | Last week of May 2022. |

Results and reports of the Company are also available in www.nseindia.com. There were no specific presentations made to institutional investors or to analysts during the year. Official news releases are made whenever it is considered necessary.

**General shareholder information**

| | | |
|---|---|---|
| Annual general meeting | : | Friday, 17-September-2021 at 4.00 p.m |
| Venue | : | Virtual Meeting hosted from D Block,4th Floor,<br>Hanudev Info Park,Nava India Road<br>Coimbatore - 641 028 |
| Financial year | : | 1st April 2020 to 31st March,2021 |
| Date of book closure | : | 11-Sept-2021 to 17-Sept-2021 |
| Dividend payment date, if any | : | Within seven working days from the date of<br>annual general meeting,if any. |
| Listing on stock exchanges | : | National Stock Exchange of India Limited (NSE),<br>Exchange Plaza, C-1, Block G, Bandra Kurla<br>Complex Bandra (East), Mumbai 400 051 |
| Stock code | : | PRECOT, ISIN : INE283A01014 |

**Market price, date and performance in comparison with S&P Nifty:**

| Month | Prices ( ₹ ) | | S & P Nifty | |
|---|---|---|---|---|
| | Low | High | Low | High |
| April 2020 | 19.50 | 25.45 | 8055.80 | 9889.05 |
| May 2020 | 18.85 | 23.80 | 8806.75 | 9598.85 |
| June 2020 | 20.00 | 28.80 | 9544.35 | 10553.15 |
| July 2020 | 19.75 | 27.20 | 10299.60 | 11341.40 |
| August 2020 | 20.00 | 29.80 | 10882.25 | 11794.25 |
| September 2020 | 26.05 | 42.50 | 10790.20 | 11618.10 |
| October 2020 | 27.45 | 44.95 | 11347.05 | 12025.45 |
| November 2020 | 37.15 | 62.45 | 11157.40 | 13145.85 |
| December 2020 | 53.35 | 84.90 | 12962.80 | 14024.85 |
| January 2021 | 80.00 | 95.00 | 13596.75 | 14753.55 |
| February 2021 | 80.00 | 96.70 | 13661.75 | 15431.75 |
| March 2021 | 86.50 | 116.25 | 14264.40 | 15336.30 |

Annual listing fee for the financial year 2021-22 was paid to National Stock Exchange of India Limited.

The Company has paid custodial fees for the year 2021-22 to National Securities Depository Limited and Central Depository Services (India) Limited.

**Registrar and share transfer agent (for both physical and demat segments)**

**Branch Office:**
M/s Link Intime India Pvt Limited,
Surya, 35 Mayflower avenue, Senthil Nagar,
Sowripalayam Road, Coimbatore- 641028.
Email: coimbatore@linkintime.co.in, Phone: 0422-2314792

**Head office:**
M/s Link Intime India Pvt Limited,
C-101, 247 Park,
L B S Marg, Vikhroli (West)
Mumbai - 400 083.

**Share transfer system:**

Securities and Exchange Board of India has mandated that the transfer of securities held in physical form, except in case of transmission or transposition, shall not be processed by the listed entities/ Registrar and Share Transfer Agents with effect from 1st April, 2019. Therefore, members holding share(s) in physical form are requested to dematerialize their shareholding in the Company. All requests for dematerialization of shares are processed and confirmed to the depositories, NSDL and CDSL, within 15 days. The Stakeholders Relationship Committee generally meets as and when required.

**Reconciliation of Share Capital Audit**

A qualified practicing Company secretary carried out secretarial audit to reconcile the total admitted capital with NSDL and CDSL with the total issued and listed capital. The secretarial audit report confirms that the total issued / paid-up capital is intact with the total number of shares in physical form and the total number of dematerialized shares held with NSDL and CDSL.

A confirmation certificate under Regulation 74(5) of the SEBI (Depositories and Participants) Regulations, 2018 was received from our Registrar and Share Transfer Agent, M/s Link Intime India Private Limited confirming that the certificates received for dematerialisation have been mutilated and cancelled after due verification by the depository participants and the name of the depositories have been substituted in the register of members as registered owner within 30 days of its receipt and that the securities comprised in the said certificates have been listed on the Stock Exchange where the earlier issued securities are listed.

**Share holding pattern as on 31-Mar-2021:**

| Category | No. of shares held | Percentage of holding |
|---|---|---|
| Promoters and Promoters group | | |
| Indian | 7380600 | 61.50 |
| **Public** | | |
| Mutual funds/UTI | 100 | 0.00 |
| Financial Inst/ Banks | 675 | 0.01 |
| Bodies corporate | 451172 | 3.76 |
| Public and others | 4167453 | 34.73 |
| **Total** | **12000000** | **100.00** |

**Distribution of shareholding as on 31-Mar-2021**

| Shareholding range | No. of holders | Percentage of holders | No. of shares | Percentage of shares |
|---|---|---|---|---|
| 1-500 | 4150 | 80.29 | 648753 | 5.41 |
| 501-1000 | 459 | 8.88 | 339814 | 2.83 |
| 1001-2000 | 272 | 5.26 | 398051 | 3.32 |
| 2001-3000 | 92 | 1.78 | 227675 | 1.90 |
| 3001-4000 | 44 | 0.85 | 152109 | 1.27 |
| 4001-5000 | 30 | 0.58 | 138807 | 1.15 |
| 5001-10000 | 65 | 1.26 | 463516 | 3.86 |
| 10001 & Above | 57 | 1.10 | 9631275 | 80.26 |
| **Total** | **5169** | **100.00** | **12000000** | **100.00** |

**Dematerialisation status of shares as on 31-Mar-2021:**

| Particulars | No. of Shares | % to Share capital |
|---|---|---|
| National Securities Depository Limited | 9945835 | 82.88 |
| Central Depository Services (India ) Limited | 1638615 | 13.66 |
| **Total** | **11584450** | **96.54** |

There are no outstanding GDR/ADR/Warrants or any convertible instruments as on 31st March, 2021.

**Plant locations:**

1 Kanjikode, Palakkad, Kerala
2 Kodigenahalli, Hindupur, Andhra Pradesh
3 Nanjegoundanpudur,Pollachi, Tamil Nadu
4 & 5 Chandrapuram, Walayar, Kerala
6 Gowribidnur, Kolar, Karnataka
7 Hassan, Karnataka.

**Address for correspondence:**
Precot Limited,
Secretarial Department,
Regd. Office: D Block, 4th Floor, Hanudev Info Park, Nava India Road,
Udaiyampalayam, Coimbatore – 641 028
Phone: 0422 - 4321100
Email: secretary@precot.com
Website: www.precot.com
CIN: L17111TZ1962PLC001183

**Fees paid to Statutory Auditors**

The details of total fees for all services paid by the Company, on a consolidated basis, to the statutory auditor is provided below.

₹ Lakhs

| Particulars | 2020-21 |
|---|---|
| (a) Auditor | **10.50** |
| (b) Taxation matters | **2.00** |
| (c) Other services - Certification | **3.00** |
| (d) For reimbursement of expenses | **0.74** |
| | **16.24** |

**Significant Changes in Key Financial Ratios and change in Net Worth for the Financial year 2019-20 and 2020-21**

| Key Financial Ratios | 2020-21 | 2019-20 | % of Change | Explanation |
|---|---|---|---|---|
| Debtors Turnover | 0.15 | 0.12 | 25 | Profitability improved due to better sales realization and cost control. |
| Inventory Turnover | 0.20 | 0.17 | 18 | |
| Interest Coverage | 2.01 | 0.67 | 200 | |
| Current Ratio | 0.99 | 0.88 | 13 | |
| Debt Equity Ratio | 0.49 | 0.47 | 4.26 | |
| Operating Profit Margin | 8.94 | 2.54 | 252 | |
| Net Profit Margin | 4.91 | (1.76) | 379 | |
| Change in Net Worth | 10.35 | (5.77) | 280 | |

**Disclosures**

1. During the year under review the Company has not made any fresh issue of shares. The paid up capital of the Company stood at Rs.1,200 lakhs as at 31st March,2021.

2. Details of transactions with related parties are provided in note no. 47 to notes forming part of the accounts in accordance with the provision of Indian Accounting Standard 24. There is no materially significant related party transaction that may have potential conflict with the interest of the Company at large.

3. During the last 3 years, there were no strictures, penalties or material orders passed/imposed on the Company by either stock exchanges or SEBI or any statutory authority for non-compliance on any matter relating to the capital markets or otherwise.

4. The Company has followed the accounting standards referred to in Section 133 of the Act. The significant accounting policies are set out in the notes to the financial statements.

5. Exposure of the Company to commodity and commodity risks faced by the Company during the year are disclosed in note no:39 of the financial statements.

6. The Company has adopted a Whistle Blower Policy and has established the necessary vigil mechanism as defined under Section 177 (9) of the Act, and Regulation 22 of listing Regulations, for Directors and employees to report concerns about unethical behaviour. No person has been denied access to the chairman of the Audit Committee.

7. The Company has complied with all the mandatory requirements of corporate governance norms as enumerated under Regulation 17 to 27 and clause (b) to (i) of Regulations 46 (2) of the Listing Regulations. In addition, the Company has also adopted the following non-mandatory requirements, 1) Company's financial statements are unmodified, 2) The internal auditor of the Company directly reports to the audit committee.

8. The Company has framed polices for determining 'material subsidiaries' and 'related party transaction', which are disclosed on the website at the following link http://www.precot.com/investor-relations/

9. CEO/CFO certificate: The Managing Director and Chief Financial Officer of the Company have provided to the Board of Directors of the Company compliance certificate as required under Regulation 17(8) of Listing Regulations read with Part B of Schedule II.

10. The Company has a robust framework and governance mechanism in place to ensure that the organisation is adequately protected from the market volatility in terms of price and availability of raw materials and finished goods.

11. The Company has managed the foreign exchange risk with appropriate hedging activities in accordance with forex policy of the Company. The Company does not enter into any derivative instruments for trading or speculative purposes. The details of foreign exchange exposure as on 31$^{st}$ March, 2021 are disclosed in notes to the financial statements.

12. The Company has prepared a risk management framework to identify, minimize and mitigate business and process related risk at predefined intervals.

13. Business Responsibility Report as per Regulation 34 and Dividend Distribution Policy as per Regulation 43A of the Listing Regulations are not applicable to the Company.

14. The details of unclaimed suspense account are disclosed in the Board's report.

By order of the Board
**Ashwin Chandran**
Chairman & Managing Director

Coimbatore
10-June-2021

## Declaration regarding compliance of company's code of conduct

All the Board members and senior management personnel affirmed compliance with the code of conduct of the Company for the financial year ended 31st March,2021.

Coimbatore
10-June-2021

By order of the Board
**Ashwin Chandran**
Chairman & Managing Director

## Certificate of Corporate Governance

To

**The members of PRECOT limited**
**(formerly known as Precot Meridian Limited)**
**Coimbatore.**

I have examined the compliance of conditions of Corporate Governance by Precot Limited (formerly known as Precot Meridian Limited) (here in after referred to as “the Company” ) for the year ended on 31st March, 2021 as per Regulation 15(2) read with Schedule-V of the SEBI ( Listing Obligations and Reporting Requirements) Regulations, 2015 (hereinafter referred to as “the LODR”).

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

In my opinion and to the best of my information and according to the explanations given to me and the representations made by the Directors and Management I certify that the Company had complied with the conditions of Corporate Governance as per relevant provisions of LODR for the period from 01st April, 2020 to 31st March, 2021.

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

**K Duraisami**
**Company Secretary in Practice**
**Membership No:6792**
**C P No: 18308**

Place: Coimbatore
Date :02.06.2021
ICSI UDIN :F006792C000412692

# CERTIFICATE OF NON-DISQUALIFICATION OF DIRECTORS

**( Pursuant to Regulation 34(3) and Schedule-V Para C Clause (10)(i) of SEBI (Listing Obligations and Disclosure Requirements) Regulations,2015)**

To

**The Members of Precot Limited.**
**SF No.559/4,D Block,4th Floor,**
**Hanudev Infopark, Nava India Road,**
**Udaiyampalayam, Coimbatore-641028**

I have examined the relevant registers, records, forms, returns, disclosures received from the Directors of Precot Limited (formerly known as Precot Meridian Limited) having CIN : L17111TZ1962PLC001183 and having its Registered Office at SF No.559/4,D Block, 4th Floor, Hanudev Info park, Nava India Road, Udaiampalayam, Coimbatore-641028, herein after referred to as "the Company", produced to me by the Company for the purpose of issuing this certificate in accordance with Regulation 34(3)read with Schedule V, Para-C, Sub Clause 10(i) of SEBI (Listing Obligations and Disclosure Requirements) Regulations,2015.

In my opinion and to the best of information and according to the verification (including Directors Identification (DIN) status at the website: www.mca.gov.in) as considered necessary and explanations furnished to me by the Company & its Officers, I hereby certify that none of the Directors of the Company as stated below, for the Financial Year ended 31st March,2021, have been debarred or disqualified from being appointed or continuing as Director of Companies by the SEBI, Ministry of Corporate Affairs, Reserve Bank of India and any other Statutory Authority (ies).

| S.No | Name of the Director | Designation | DIN | Date of Appointment |
|---|---|---|---|---|
| 1. | Mr.Ashwin Chandran | Managing Director | 00001884 | 30.07.2003 |
| 2. | Mr.Prasanth Chandran | Managing Director | 01909559 | 01.04.2011 |
| 3. | Mr.Kumar Thillai | Wholetime Director | 07826033 | 26.05.2017 |
| 4. | Mr.Srivatsan | Independent Director | 00002194 | 25.11.2014 |
| 5. | Mr. Sumanth Ramamurthi | Independent Director | 00002773 | 22.02.1992 |
| 6. | Mr P Vijay Raghunath | Independent Director | 00002963 | 01.06.2017 |
| 7. | Mr. Jairam Varadaraj | Independent Director | 00003361 | 29.01.2002 |
| 8. | Ms.Vidyasankar Bhuvaneshwari | Independent Director | 01628512 | 30.05.2014 |

Ensuring the eligibility for the appointment / continuity of every Director on the Board is the responsibility of the management of the Company Our responsibility is to express the opinion on the basis of verification. This certificate is neither as assurance as to the future viability of the Company nor of the efficiency or effectiveness with which the management has to conducted the affairs of the Company.

**K Duraisami**
**Company Secretary in Practice**
**M. No: FCS- 6792**
**C P. No.18308**

Place : Coimbatore
Date : 02.06.2021
ICSI UDIN: F006792C000412725

# ANNEXURE E

## Form AOC 2

(Pursuant to clause (h) of sub-Section (3) of Section 134 of the Companies Act, 2013 and rule 8(2) of the Companies (Accounts) Rules, 2014)

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

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

   The Company has not entered into any contract/arrangement/transaction with its related parties which is not in ordinary course of business or at arm's length during the financial year 2020-21. The Company has laid down policies and processes/ procedures so as to ensure compliance to the Companies Act, 2013 ("Act") and the corresponding Rules. All the transactions with interested parties are placed before the Audit Committee on quarterly basis.

a) Name(s) of the related party and nature of relationship: Not Applicable

b) Nature of contracts / arrangements / transactions: Not Applicable

c) Duration of the contracts / arrangements / transactions : Not Applicable

d) Salient terms of the contracts or arrangements or transactions including the value, if any: Not Applicable

e) Justification for entering into such contracts or arrangements or transactions: Not Applicable

f) Date(s) of approval by the Board: Not Applicable

g) Amount paid as advances, if any: Not Applicable

h) Date on which the special resolution was passed in general meeting as required under first proviso to Section 188 of the Act : Not Applicable

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

a) Name(s) of the related party and nature of relationship: Not Applicable

b) Nature of contracts / arrangements / transactions: Not Applicable

c) Duration of the contracts / arrangements / transactions : Not Applicable

d) Salient terms of the contracts or arrangements or transactions including the value, if any : Not Applicable

e) Date(s) of approval by the Board, if any : Not Applicable

f) Amount paid as advances, if any : None

Coimbatore
10-June-2021

**Ashwin Chandran**
Chairman and
Managing Director

| | | | | | | ₹ Lakhs |
|---|---|---|---|---|---|---|
| | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 |
| | IGAAP | Ind AS | | | | |
| **Operating Results** | | | | | | |
| Total revenue | 69,468 | 70,441 | 71,456 | 79,641 | 73,677 | 67,084 |
| PBIDT | 2,079 | 5,330 | 6,759 | 6,363 | 4,897 | 9,884 |
| Interest | 3,830 | 4,273 | 4,079 | 4,053 | 3,919 | 3,272 |
| PBDT | (1,751) | 1,057 | 2,680 | 2,310 | 1,978 | 6,612 |
| Depreciation | 3,800 | 3,420 | 3,257 | 3,137 | 3,274 | 3,317 |
| Income Tax | - | - | - | - | 357 | |
| Other Taxes | - | - | - | - | - | |
| PAT | (5,551) | (2,363) | (577) | (827) | (1652) | 3,295 |
| Dividend & Dividend Tax | - | - | - | - | - | - |
| Retained cash earnings | (1,751) | 1,057 | 2,680 | 2,310 | 1978 | 6612 |
| **Performance Parameters** | | | | | | |
| Net Fixed Assets (WDV) | 31,388 | 53,732 | 50,997 | 48,986 | 44,733 | 42,217 |
| Share Capital | 1,200 | 1,200 | 1,200 | 1,200 | 1,200 | 1,200 |
| Free Reserves | 6,714 | 31,343 | 30,809 | 30,026 | 27,476 | 30,622 |
| Net worth | 7,914 | 32,543 | 32,009 | 31,226 | 28,676 | 31,822 |
| Long Term Borrowings | 20,615 | 17,801 | 17,934 | 17,697 | 13,462 | 15,712 |
| Debt:Equity | 2.6 | 0.5 | 0.6 | 0.6 | 0.5 | 0.5 |
| Dividend (%) | - | - | - | - | - | - |
| Earnings per share (Rs.) | (46) | (20) | (5) | (7) | (14) | 27 |

**INDEPENDENT AUDITOR'S REPORT**

**To the Members of PRECOT LIMITED (formerly PRECOT MERIDIAN LIMITED)**

**Report on the Audit of Standalone Financial Statements**

**Opinion**

We have audited the accompanying standalone financial statements of **Precot Limited (formerly Precot Meridian Limited)** ("the Company") which comprise the Standalone Balance Sheet as at March 31, 2021, the Standalone Statement of Profit and Loss (including Other Comprehensive Income), the Standalone Statement of Changes in Equity and the Standalone Statement of Cash Flows for the year then ended and notes to the standalone financial statements including a summary of significant accounting policies and other explanatory information (hereinafter referred to as "the standalone financial statements").

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone financial statements give the information required by the Companies Act, 2013 ("the Act") in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India including the Indian Accounting Standards prescribed under section 133 of the Act read with the Companies (Indian Accounting Standards) Rules, 2015, as amended ("Ind AS"), of the state of affairs of the Company as at March 31, 2021, its profit including other comprehensive income, changes in equity and its cash flows for the year ended on that date.

**Basis for Opinion**

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

**Key Audit Matters**

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

| Key Audit Matter | How our audit addressed the Key Audit Matter |
|---|---|
| Provisions for litigations and disclosure of contingent liabilities:<br><br>The Company is involved in litigations, both for and against the Company, comprising of tax matters, legal compliances and other disputes.<br><br>The Company assesses the need to make a provision or disclose a contingency on a case-to-case basis considering the underlying facts of each matter, in consultation with its legal advisors and lawyers. This involves a high level of management judgement and assumptions which impact the risk assessment and consequential provisioning and disclosure of contingencies in the financial statements.<br><br>This area is significant to our audit, since the completeness and accuracy of accounting and disclosures for contingencies is dependent on such management judgement and assumptions. | **Our audit procedures included the following:**<br><br>• We evaluated and tested the Company's processes and controls for monitoring of litigations, disputes, compliances and assessment thereof for determining the likely outcome.<br>• We reviewed the summary of the litigations prepared by the management and discussed the material cases to determine the Company's assessment of the likelihood and magnitude of any liability that may arise.<br>• We evaluated the legal opinion obtained by the Company and assessed the management's judgements and assumptions on such matters.<br>• We tested the adequacy of disclosures in the financial statements. |

| Key Audit Matter | How our audit addressed the Key Audit Matter |
|---|---|
| Trade receivables and expected credit loss:<br><br>The trade receivables as at March 31, 2021 is ₹ 10,197.56 lakhs and provision for expected credit loss made during the year is ₹ 248.66 lakhs.<br><br>The Company measures expected credit loss on trade receivables based on significant management judgement and estimates.<br><br>We have considered assessment of expected credit loss for receivables as a key audit matter because of the significant management judgement involved in its estimation. | **Our audit procedures included the following:**<br><br>• Obtained an understanding of and assessed the design, implementation and operating effectiveness of key controls relating to collection monitoring process, credit control process and estimation of expected credit losses.<br><br>• Tested the controls relating to classification of the receivable balances included in the receivables ageing report<br><br>• Reviewed the ageing, tested the validity of the receivables, discussed with the management as to the disputes, if any, with the customers, understood and evaluated the reason for delay in realisation of the receivables and possibility of realisation of the aged receivable .<br><br>• Assessed the methodology used by management to estimate the expected credit loss provision and its compliance with the relevant accounting standard.<br><br>• Assessed the reasonableness of estimate of expected credit loss. |

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

The Company's Management and the Board of Directors are responsible for the preparation of the other information. The other information comprises the information included in the Company's annual Report but does not include the standalone financial statements and our auditor's report thereon.

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

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

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

**Management's and Board of Directors' Responsibilities for the Standalone Financial Statements**

The Company's Management and the Board of Directors are responsible for the matters stated in section 134(5) of the Act with respect to the preparation of these standalone financial statements that give a true and fair view of the financial position, financial performance including other comprehensive income, changes in equity and cash flows of the Company in accordance with the accounting principles generally accepted in India, including Ind AS specified under section 133 of the Act. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the standalone financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the standalone financial statements, the Management and the Board of Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors are also responsible for overseeing the company's financial reporting process.

**Auditor's Responsibility for the Audit of the Standalone Financial Statements**

Our objectives are to obtain reasonable assurance about whether the standalone financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this standalone financial statements.

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the standalone financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the company has adequate internal financial controls with reference to standalone financial statements in place and the operating effectiveness of such controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the Management and the Board of Director's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the standalone financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the standalone financial statements, including the disclosures, and whether the standalone financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Materiality is the magnitude of misstatements in the standalone financial statements that, individually or in aggregate, makes it probable that the economic decisions of a reasonably knowledgeable user of the standalone financial statements may be influenced. We consider quantitative materiality and qualitative factors in (i) planning the scope of our audit work and in evaluating the results of our work; and (ii) to evaluate the effect of any identified misstatements in the standalone financial statements.

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

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

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

**Report on Other Legal and Regulatory Requirements**

1. As required by the Companies (Auditor's Report) Order, 2016 (“the Order”), issued by the Central Government of India in terms of section 143(11) of the Act, we give in **“Annexure 1”**, a statement on the matters specified in paragraphs 3 and 4 of the Order, to the extent applicable.
2. (A) 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 Standalone Balance Sheet, the Standalone Statement of Profit and Loss (including other comprehensive income), the Standalone Statement of changes in Equity and the Standalone Statement of Cash Flows dealt with by this Report are in agreement with the books of account;

d. In our opinion, the aforesaid standalone financial statements comply with the Indian Accounting Standards specified under Section 133 of the Act read with relevant rules issued thereunder;

e. On the basis of the written representations received from the directors and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2021 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 standalone financial statements of the Company and the operating effectiveness of such controls, we give our separate report in "Annexure 2";

(B) 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 financial statements - Refer Note 41 to the standalone financial statements;

(ii) The Company has made provision, as required under the applicable law or accounting standards, for material foreseeable losses, if any, on long-term contracts including derivative contracts – Refer Note 17 and 22 to the standalone financial statements;

(iii) There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Company.

(C) With respect to the other matters to be included in the Auditor's Report in accordance with the requirements of section 197(16) of the Act, as amended;

In our opinion and to the best of our information and according to the explanations given to us, the remuneration paid/provided by the Company to its directors during the year is in accordance with the provisions of section 197 of the Act;

**For VKS Aiyer& Co.,**
Chartered Accountants
ICAI Firm Registration No. 000066S

**Kaushik Sidartha**
Partner
Membership No. 217964
UDIN : 21217964AAAACX2939

Place: Coimbatore
Date: 10th June 2021

**ANNEXURE 1 TO THE INDEPENDENT AUDITOR'S REPORT**

**[Referred to in paragraph 1 under 'Report on Other Legal and Regulatory Requirements' in the Independent Auditor's Report of even date to the members of PRECOT LIMITED (formerly PRECOT MERIDIAN LIMITED) on the standalone financial statements for the year ended March 31, 2021]**

(I) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of the fixed assets.

(b) During the year, fixed assets have been physically verified by the management as per the regular programme of verification which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. As informed, no material discrepancies were noticed on such verification.

(c) The title deeds of immovable properties recorded as fixed assets in the books of account of the Company are held in the name of the Company except for the details given below:

| Land / Building | Total Number of cases | Leasehold / freehold | Cost / Carrying Value as on 31st March 2021 ₹ in Lakhs | Remarks |
|---|---|---|---|---|
| Land | 1 | Freehold | 1,422.87 | The title deeds are in the name of Meridian Spintex Limited, erstwhile Company that was merged with the Company under Section 391 to 394 of the Companies Act, 1956 in terms of the approval of the Honourable High Court(s) of judicature vide order dt. 01.09.2006. |
| Land | 1 | Freehold | 173.10 | The title deeds are in the name of Suprem Textiles Processing Limited that was merged with the Company vide NCLT Order Dt. 18.09.2017. |
| Land | 1 | Freehold | 613.20 | The title deeds are in the name of Multiflora (Floriculture) Private Limited currently known as Multiflora Processing Coimbatore Limited that was merged with the Company vide NCLT Order Dt. 18.09.2017. |
| Land | 1 | Freehold | 51.00 | The title deeds are in the name of Meridian Industries Limited, erstwhile Company that was merged with the Company under Section 391 to 394 of the Companies Act, 1956 in terms of the approval of the Honourable High Court(s) of judicature vide order dt. 01.09.2006. |

(ii) The inventory has been physically verified by the management during the year. In our opinion, the frequency of verification is reasonable. As informed, no material discrepancies were noticed on physical verification carried out during the year.

(iii) As informed, the Company has not granted any loans, secured or unsecured to companies, firms, Limited Liability Partnerships or other parties covered in the register maintained under Section 189 of the Act. Accordingly, paragraph 3 (iii) (a), 3 (iii) (b) and 3 (iii) (c) of the Order are not applicable to the Company.

(iv) Based on information and explanation given to us in respect of loans, investments, guarantees and securities, the Company has complied with the provisions of Section 185 and 186 of the Act, to the extent applicable.

(v) In our opinion and according to the information and explanations given to us, the Company has not accepted any deposits from the public within the provisions of Sections 73 to 76 of the Act and the rules framed thereunder.

(vi) We have broadly reviewed the books of account maintained by the Company in respect of products where the maintenance of cost records has been specified by the Central Government under sub-section (1) of Section 148 of the Act and the rules framed thereunder and we are of the opinion that prima facie, the prescribed accounts and records have been made and maintained. However, we have not made a detailed examination of the same.

(vii) a) The Company is generally regular in depositing with appropriate authorities, undisputed statutory dues including provident fund, employees state insurance, income tax, goods and service tax, customs duty, cess and any other material statutory dues applicable to it, however, there have been a slight delay in few cases/delays in deposit which have not been serious.

AND

According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, employees state insurance, income tax, goods and service tax, customs duty, cess and other material statutory dues applicable to it, were outstanding, at the year end, for a period of more than six months from the date they became payable.

b) According to the information and explanation given to us, the dues outstanding with respect to income tax, sales tax, value added tax, service tax, duty of customs, duty of excise, goods and services tax on account of any dispute, are as follows:

| Name of the Statute | Nature of dues | Amount (₹ in lakhs) | Period to which the amount relates | Forum where dispute is pending |
|---|---|---|---|---|
| Andhra Pradesh Value Added Tax Act, 2005 | Sales tax and penalties | 1.77 | 1999 - 2000 | High Court |
| Central Excise Act, 1944 | Excise duty, penalties and interest | 19.28 | 2008 - 09 | CBIC, New Delhi |
| Central Excise Act, 1944 | CENVAT credit | 39.55 | 2014 -15 | Commissioner of GST and Central Excise (Appeals), Coimbatore |
| | | 40.06 | 2014 -15 | |
| | | 41.31 | 2014-15 & 2015 -16 | |
| | | 44.24 | 2015 -16 | |
| | | 39.57 | 2015-16 & 2016-17 | |
| Income Tax Act, 1961 | Income tax | 4.43 | AY 2013 -14 | Order pending with Assessing Officer, Coimbatore |
| Income Tax Act, 1961 | Income tax | 19.74 | AY 2014 -15 | Order pending with Assessing Officer, Coimbatore |
| Central Goods and Services Tax Act, 2017 | Transitional Cenvat credit | 53.01 | April 2017 to June 2017 | The Principal Commissioner of GST & Customs (Appeals) |

(viii) According to the information and explanations given to us, the Company has not defaulted in repayment of loans or borrowings to financial institution(s), bank(s), government(s) or dues to debenture holder(s).

(ix) In our opinion and according to the information and explanations given to us, the Company has utilized the money raised by way of term loans during the year for the purposes for which they were raised. The Company did not raise any money by way of Initial public offer or further public offer including debt instruments during the year.

(x) During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instance of fraud by the Company or any fraud on the Company by its officers or employees, noticed or reported during the year, nor have we been informed of any such instance by the management.

(xi) According to the information and explanations given to us, managerial remuneration has been paid / provided in accordance with the requisite approvals mandated by the provisions of Section 197 read with Schedule V to the Act.

(xii) In our opinion and according to the information and explanations given to us, the Company is not a Nidhi Company. Therefore, paragraph 3(xii) of the Order is not applicable to the Company.

(xiii) According to the information and explanation given to us, all transactions entered into by the Company with the related parties are in compliance with Sections 177 and 188 of Act, where applicable and the details have been disclosed in the Standalone financial statements etc., as required by the applicable accounting standards.

(xiv) The Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year under review. Therefore, paragraph 3(xiv) of the Order is not applicable to the Company.

(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 during the year.

(xvi) According to the information and explanation given to us, the Company is not required to be registered under Section 45-IA of the Reserve Bank of India Act, 1934.

**For VKS Aiyer& Co.,**
Chartered Accountants
ICAI Firm Registration No. 000066S

**Kaushik Sidartha**
Partner
Membership No. 217964
UDIN : 21217964AAAACX2939

Place: Coimbatore
Date: 10th June 2021

**ANNEXURE 2 TO THE INDEPENDENT AUDITOR'S REPORT**

**Report on the internal financial controls with reference to the aforesaid standalone financial statements under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")**

**[Referred to in paragraph 2 under 'Report on Other Legal and Regulatory Requirements' in the Independent Auditor's Report of even date to the members of PRECOT LIMITED (formerly PRECOT MERIDIAN LIMITED) on the standalone financial statements for the year ended March 31, 2021]**

We have audited the internal financial controls with reference to standalone financial statements of **Precot Limited (formerly Precot Meridian Limited)** ("the Company") as of March 31, 2021 in conjunction with our audit of the standalone financial statements of the Company for the year ended on that date.

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

The Company's management and the Board of Directors are responsible for establishing and maintaining internal financial controls based on the internal financial controls with reference to standalone 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 reference to standalone 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 specified under section 143(10) of the Act to the extent applicable to an audit of internal financial controls with reference to standalone financial statements. 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 standalone financial statements were established and maintained and whether 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 with reference to standalone financial statements and their operating effectiveness.

Our audit of internal financial controls with reference to standalone financial statements included obtaining an understanding of such internal financial controls assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the standalone 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 with reference to standalone financial statements.

**Meaning of Internal Financial Controls with reference to Standalone Financial Statements**

A company's internal financial controls with reference to standalone financial statements is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial controls with reference to standalone 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 standalone financial statements.

**Inherent Limitations of Internal Financial Controls with reference to Standalone Financial Statements**

Because of the inherent limitations of internal financial controls with reference to standalone 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 standalone financial statements to future periods are subject to the risk that the internal financial controls with reference to standalone 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, adequate internal financial controls with reference to standalone financial statements and such internal financial controls were operating effectively as at March 31, 2021, based on the internal financial controls with reference to standalone 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 ICAI.

**For VKS Aiyer& Co.,**
Chartered Accountants
ICAI Firm Registration No. 000066S

**Kaushik Sidartha**
Partner
Membership No. 217964
UDIN : 21217964AAAACX2939

Place: Coimbatore
Date: 10th June 2021

# STANDALONE FINANCIAL STATEMENTS

₹ Lakhs

| | Particulars | Note No. | As at 31.03.2021 | As at 31.03.2020 |
|---|---|---|---|---|
| | **ASSETS** | | | |
| (1) | **Non - Current assets** | | | |
| | ( a ) Property, Plant and Equipment | 2 | **41,322.95** | 43,828.07 |
| | ( b ) Right of use Asset | 3 (a) | **591.19** | 723.52 |
| | ( c ) Capital work-in-progress | 3 (b) | **256.20** | 138.86 |
| | ( d ) Intangible assets | 3 (c) | **38.46** | 42.24 |
| | ( e ) Intangible assets under development | 3 (c) | **7.94** | - |
| | ( f ) Financial Assets | | | |
| | (i) Investments | 4 | **1,085.78** | 1,099.26 |
| | (ii) Loans | 5 | **1,060.92** | 826.32 |
| | ( g ) Other non-current assets | 6 | **460.06** | 186.75 |
| | **Total Non Current Assets** | | **44,823.50** | **46,845.02** |
| (2) | **Current assets** | | | |
| | ( a ) Inventories | 7 | **13,119.54** | 12,432.05 |
| | ( b ) Financial Assets | | | |
| | (i) Trade receivables | 8 | **10,197.56** | 8,930.78 |
| | (ii) Cash and cash equivalents | 9 | **109.38** | 38.19 |
| | (iii) Bank balances other than (ii) above | 10 | **787.41** | 764.04 |
| | (iv) Loans | 11 | **77.56** | 56.31 |
| | (v) Other Financial Assets | 12 | **47.49** | 50.87 |
| | ( c ) Other current assets | 13 | **4,696.27** | 1,700.81 |
| | **Total Current Assets** | | **29,035.21** | **23,973.05** |
| | **TOTAL ASSETS** | | **73,858.71** | **70,818.07** |
| | **EQUITY AND LIABILITIES** | | | |
| | **EQUITY** | | | |
| | ( a ) Equity Share capital | 14 | **1,200.00** | 1,200.00 |
| | ( b ) Other Equity | 15 | **30,621.59** | 27,475.91 |
| | **Total Equity** | | **31,821.59** | **28,675.91** |
| | **LIABILITIES** | | | |
| (1) | **Non-current liabilities** | | | |
| | ( a ) Financial Liabilities | | | |
| | (i) Borrowings | 16 | **10,459.89** | 12,265.39 |
| | (ii) Other Financial Liabilities | 17 | **193.62** | 700.57 |
| | ( b ) Provisions | 18 | **1,947.00** | 1,799.95 |
| | ( c ) Other non-current liabilities | 19 | **195.29** | 278.41 |
| | **Total Non Current Liabilities** | | **12,795.80** | **15,044.32** |
| (2) | **Current liabilities** | | | |
| | ( a ) Financial Liabilities | | | |
| | (i) Borrowings | 20 | **16,920.01** | 17,345.16 |
| | (ii) Trade payables | 21 | | |
| | - Outstanding dues of Micro & Small Enterprises | | **118.45** | 85.54 |
| | - Outstanding dues of Creditors other than Micro & Small Enterprises | | **2,782.69** | 4,446.68 |
| | (iii) Other Financial Liabilities | 22 | **8,317.76** | 4,408.33 |
| | ( b ) Other current liabilities | 23 | **877.68** | 631.67 |
| | ( c ) Provisions | 24 | **224.73** | 180.46 |
| | **Total Current Liabilities** | | **29,241.32** | **27,097.84** |
| | **TOTAL LIABILITIES** | | **42,037.12** | **42,142.16** |
| | **TOTAL EQUITY AND LIABILITIES** | | **73,858.71** | **70,818.07** |

Summary of Significant accounting policies and notes form an integral part of the financial statements

Vide our report of even date attached
**For VKS Aiyer & Co**
Chartered Accountants
ICAI Firm Reg.No.: 000066S
**Kaushik Sidartha**
Partner
M.No. : 217964
Place : Coimbatore
Date : 10-June-2021

For and on behalf of the Board of Directors

**Ashwin Chandran**
Chairman and Managing Director
(DIN : 00001884)

**A P Ramkumar**
Chief Financial Officer

**Prashanth Chandran**
Vice Chairman and Managing Director
(DIN : 01909559)

**S Kavitha**
Company Secretary
(FCS No. 8710)

₹ Lakhs

| | Particulars | Note No. | For the year ended 31st March 2021 | For the year ended 31st March 2020 |
|---|---|---|---|---|
| I | Revenue From Operations | 25 | **66,513.83** | 72,611.59 |
| II | Other income | 26 | **570.17** | 1,065.38 |
| **III** | **Total Revenue (I+II)** | | **67084.00** | **73676.97** |
| **IV** | **Expenses** | | | |
| | Cost of materials consumed | 27 | **34,052.11** | 41,518.77 |
| | Purchase of Stock-in-Trade | | **76.83** | 475.64 |
| | Changes in inventories of finished goods, Stock-in-Trade and work-in-progress | 28 | **1,725.76** | 1,015.19 |
| | Employee benefits expense | 29 | **7,357.89** | 7,164.05 |
| | Finance costs | 30 | **3,272.06** | 3,918.73 |
| | Depreciation and amortization expense | 31 | **3,317.22** | 3,273.83 |
| | Other expenses | 32 | **13,987.36** | 17,606.47 |
| | **Total Expenses (IV)** | | **63,789.23** | **74,972.68** |
| **V** | **Profit / (Loss) before exceptional items and Tax (III - IV)** | | **3,294.77** | **(1,295.71)** |
| **VI** | **Exceptional item** | | **-** | **-** |
| **VII** | **Profit / (Loss) before tax (V - VI)** | | **3,294.77** | **(1,295.71)** |
| **VIII** | **Tax expense:** | | | |
| | (1) Current tax | | **-** | - |
| | (2) Deferred tax | 33 | **-** | - |
| | (3) For earlier year | | **-** | 356.50 |
| **IX** | **Profit / (Loss) after Tax (VII - VIII)** | | **3,294.77** | (1,652.21) |
| **X** | **Other Comprehensive Income (OCI)** | | **-** | **-** |
| | **Items that will not be reclassified to profit or loss** | | | |
| | a) Remeasurement of the defined benefit plans | | **(135.61)** | (151.72) |
| | b) Gains / (Losses) on fair value of Equity instruments measured at fair value through OCI | | **(13.48)** | (746.05) |
| | Income tax relating to items that will not be reclassified to profit or loss | | **-** | - |
| | **Total Other Comprehensive Income** | | **(149.09)** | (897.77) |
| **XI** | **Total Comprehensive Income for the year (IX + X)** | | **3,145.68** | **(2,549.98)** |
| XII | Earnings per equity share of face value of Rs.10/- each | | | |
| | - Basic and Diluted (In ₹) | 34 | **27.46** | (13.77) |

Summary of Significant accounting policies and notes form an integral part of the financial statements

Vide our report of even date attached
**For VKS Aiyer & Co**
Chartered Accountants
ICAI Firm Reg.No.: 000066S
**Kaushik Sidartha**
Partner
M.No. : 217964
Place : Coimbatore
Date : 10-June-2021

For and on behalf of the Board of Directors

**Ashwin Chandran**
Chairman and Managing Director
(DIN : 00001884)

**A P Ramkumar**
Chief Financial Officer

**Prashanth Chandran**
Vice Chairman and Managing Director
(DIN : 01909559)

**S Kavitha**
Company Secretary
(FCS No. 8710)

**Standalone Statement of changes in equity for the year ended 31st March 2021**

**A. EQUITY SHARE CAPITAL**

| | ₹ Lakhs |
|---|---|
| Balance as on 1st April 2019 | 1,200.00 |
| Movement during the year 2019-20 | - |
| Balance as on 31st March 2020 | 1,200.00 |
| Movement during the year 2020-21 | - |
| **Balance as on 31st March 2021** | **1,200.00** |

**B. OTHER EQUITY**

₹ Lakhs

| Particulars | Reserves and Surplus | | | | | Items of other comprehensive Income | | Total |
|---|---|---|---|---|---|---|---|---|
| | Capital Reserve | Capital Redemption Reserve | Securities Premium | General Reserve | Retained Earnings | Equity instruments through other Comprehensive Income | Re-measurement of the defined benefit plans | |
| **Balance as at 31st March, 2019** | **48.19** | **355.00** | **2,736.46** | **11,796.41** | **12,234.84** | **2,822.39** | **32.60** | **30,025.89** |
| Profit / (Loss) for the year | | | | | (1,652.21) | | | (1,652.21) |
| Other Comprehensive Income for the year (net of tax) | | | | | | (746.05) | (151.72) | (897.77) |
| **Balance as at 31st March, 2020** | 48.19 | 355.00 | 2,736.46 | 11,796.41 | 10,582.63 | 2,076.34 | (119.12) | 27,475.91 |
| Profit / (Loss) for the year | - | - | - | - | 3,294.77 | | | 3,294.77 |
| Other Comprehensive Income for the year (net of tax) | | | | | | (13.48) | (135.61) | (149.09) |
| **Balance as at 31st March, 2021** | **48.19** | **355.00** | **2,736.46** | **11,796.41** | **13,877.40** | **2,062.86** | **(254.73)** | **30,621.59** |

Summary of Significant accounting policies & Notes form an integral part of the financial statements

Vide our report of even date attached
**For VKS Aiyer & Co**
Chartered Accountants
ICAI Firm Reg.No.: 000066S
**Kaushik Sidartha**
Partner
M.No. : 217964
Place : Coimbatore
Date : 10-June-2021

For and on behalf of the Board of Directors

**Ashwin Chandran**
Chairman and Managing Director
(DIN : 00001884)

**A P Ramkumar**
Chief Financial Officer

**Prashanth Chandran**
Vice Chairman and Managing Director
(DIN : 01909559)

**S Kavitha**
Company Secretary
(FCS No. 8710)

| Particulars | | For the year ended 31.03.2021 | | ₹ Lakhs For the year ended 31.03.2020 |
|---|---|---|---|---|
| **A. CASH FLOW FROM OPERATING ACTIVITIES** | | | | |
| **Net Profit /(Loss) before tax** | | **3294.77** | | **(1295.71)** |
| Adjustments for : | | | | |
| Depreciation and amortization expense | **3,317.22** | | 3,273.83 | |
| Interest income (including fair value change in financial instruments) | **(154.48)** | | (255.03) | |
| (Profit)/Loss on sale of Property,Plant and Equipment (net) | **(74.86)** | | (86.73) | |
| Unrealised foreign exchange loss/(gain) | **(288.77)** | | 20.67 | |
| Liabilities no more payable | **(6.98)** | | (626.54) | |
| Finance cost (including fair value change in financial instruments) | **3,272.06** | | 3,918.74 | |
| Allowance for credit loss (net) | **239.66** | | (4.42) | |
| Provision/(reversal) of doubtful advances | **(24.49)** | | 30.58 | |
| Bad debts written off | **-** | | 22.70 | |
| Irrecoverable advances written off | **22.44** | | - | |
| Other adjustments | **116.30** | | 131.26 | |
| | | **6,418.10** | | 6,425.06 |
| **Operating Profit before working capital changes** | | **9,712.87** | | **5,129.35** |
| Adjustments for : | | | | |
| (Increase) / Decrease in Inventories | **(687.49)** | | 842.80 | |
| (Increase) / Decrease in Trade Receivables | **(1,628.15)** | | (783.59) | |
| (Increase) / Decrease in Loans | **(255.85)** | | (102.20) | |
| (Increase) / Decrease in Other Assets | **(2,986.48)** | | 34.83 | |
| Increase / (Decrease) in Trade Payable | **(1,584.15)** | | 1,574.49 | |
| Increase / (Decrease) in Other Financial Liabilities | **(248.52)** | | 183.92 | |
| Increase / (Decrease) in Other Liabilities and Provisions | **301.75** | | (705.50) | |
| | | **(7,088.89)** | | **1,044.75** |
| **Cash generated from Operations** | | **2,623.98** | | 6,174.10 |
| Direct Taxes Refund / (Payable) | | **(23.43)** | | (41.06) |
| **Net Cash Flow from operating activities** | | **2,600.55** | | **6,133.04** |
| **B. CASH FLOW FROM INVESTING ACTIVITIES** | | | | |
| Purchase of Property, Plant and Equipment | **(891.56)** | | (1,017.98) | |
| Advance settled for purchase of Property, Plant and Equipment | **(254.36)** | | 8.38 | |
| Sale of Property, Plant and Equipment | **160.59** | | 2,862.53 | |
| Interest Received | **157.85** | | 259.26 | |
| **Net Cash flow from / (used in) Investing activities** | | **(827.48)** | | **2,112.19** |
| **C. CASH FLOW FROM FINANCING ACTIVITIES:-** | | | | |
| Unclaimed dividends paid | **(1.77)** | | 0.06 | |
| Interest Paid | **(3,298.64)** | | (3,257.61) | |
| Proceeds / (Repayment) of Long Term Borrowings | **2,054.84** | | (4,449.35) | |
| Repayment of lease liability | **(109.39)** | | (28.52) | |
| Proceeds / (Repayments) of Unsecured Loan | **119.49** | | (1,937.63) | |
| Proceeds / (Repayments) of loans repayable on demand | **(443.04)** | | 1,440.37 | |

| Particulars | For the year ended 31.03.2021 | ₹ Lakhs For the year ended 31.03.2020 |
|---|---|---|
| **Net Cash Flow used in Financing Activities** | **(1,678.51)** | **(8,232.68)** |
| Net Increase/Decrease in Cash and Cash Equivalent | **94.56** | 12.55 |
| Cash and Bank Balances as at 01.04.2020 and 01.04.2019 (Opening balance) | **802.23** | 789.68 |
| Less: Bank balances not considered as Cash and Cash Equivalents as per Indian Accounting Standard 7 | **787.41** | 764.04 |
| Cash and Cash Equivalents as at 31.03.2021 and 31.03.2020 (Closing balance) ( Refer note no.9) | **109.38** | 38.19 |

**Changes in liability arising from financing activities, disclosing changes arising from Cash and Non Cash Flow**
**As on 31.03.2021**

| Particulars | Non Current Borrowings (including current maturities) | Current Borrowings | Lease Liability |
|---|---|---|---|
| Opening Balance as at 01st April, 2020 | 13,462.64 | 17,345.16 | 368.28 |
| Cash Flows (Net) - Proceeds/(Repayment) | 2,054.84 | (323.54) | (109.39) |
| Additions during the year - Impact on account of Ind AS 116 | - | - | 26.23 |
| Other adjustments | (0.23) | (101.61) | - |
| Amortisation | 195.17 | - | - |
| **Closing Balance as at 31st March, 2021** | **15,712.42** | **16,920.01** | **285.12** |
| **As on 31.03.2020** | | | |
| Opening Balance as at 01st April, 2019 | 17,697.46 | 17,739.65 | - |
| Cash Flows (Net) - Proceeds/(Repayment) | (4,449.35) | (497.26) | (28.52) |
| Additions during the year - Impact on account of Ind AS 116 | - | - | 396.80 |
| Other adjustments | (9.25) | (102.77) | - |
| Amortisation | 223.78 | - | - |
| **Closing Balance as at 31st March, 2020** | **13,462.64** | **17,345.16** | **368.28** |

Summary of Significant accounting policies & Notes form an integral part of the financial statements

For and on behalf of the Board of Directors

Vide our report of even date attached
**For VKS Aiyer & Co**
Chartered Accountants
ICAI Firm Reg.No.: 000066S

**Ashwin Chandran**
Chairman and Managing Director
(DIN : 00001884)

**A P Ramkumar**
Chief Financial Officer

**Kaushik Sidartha**
Partner
M.No. : 217964
Place : Coimbatore
Date : 10-June-2021

**Prashanth Chandran**
Vice Chairman and Managing Director
(DIN : 01909559)

**S Kavitha**
Company Secretary
(FCS No. 8710)

## NOTES TO THE STANDALONE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2021

**Note 1**

**a. Corporate Information:**

Precot Limited has been in the textile industry since 1962 and is engaged in manufacturing of yarn and technical textile product. It started its first production in 1964 with an initial capacity of 12,096 spindles at Kanjikode, Kerala. At present it has units in the four southern states of India viz., Tamil Nadu, Kerala, Andhra Pradesh and Karnataka with a total spinning capacity of 1,88,112 spindles. In 2013, the company has set up a Greenfield technical textile at Hassan in the State of Karnataka. The Equity shares are listed on the National Stock Exchange of India Limited.

**b. Significant Accounting Policies**

**I. General Information and Statement of Compliance**

These Standalone financial statements have been prepared in accordance with the Indian Accounting Standards (hereinafter referred to as the 'Ind AS') as notified by Ministry of Corporate Affairs ('MCA') under Section 133 of the Companies Act, 2013 ('the Act') read with the Companies (Indian Accounting Standards) Rules, 2015, as amended and other relevant provisions of the Act.

The Standalone financial statements were authorized and approved for issue by the Board of Directors on 10th June 2021.

**II. Basis of Preparation and Presentation**

The Standalone financial statements have been prepared on going concern basis in accordance with accounting principles generally accepted in India. The presentation of financial statement is based on Ind AS Schedule III of the Companies Act, 2013.

The Financial Statements have been prepared & presented on the historical convention and on accrual basis, except for the following material items in the Balance Sheet:

- Financial assets are measured either at fair value or at amortised cost depending on their classification;
- Derivative instruments are measured at their fair values;
- Employee defined benefit assets/ liabilities are recognised as the net total of fair value of plan assets, adjusted for actuarial gains/losses and the present value of defined benefit obligations;
- Long term borrowings are measured at amortised cost using the effective interest rate method;
- Assets held for sale are measured at fair value less cost to sell;
- Right-of-use of Assets are recognised at the present value of lease payments that are not paid as on that date. This amount is adjusted for any lease payments made at or before the commencement of the lease and initial direct cost incurred, if any.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

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 takes 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 these financial statements is determined on such a basis and measurements that have some similarities to fair value but are not fair value, such as net realisable value in Ind AS 2 or value in use in Ind AS 36.

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 measurements 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 entity 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.

**III. Use of Estimates**

The preparation of Standalone financial statements is in conformity with generally accepted accounting principles which require the management of the Company to make judgements, estimates and assumptions that affect the reported amount of revenues, expenses, assets and liabilities and disclosure of contingent liabilities at the end of the reporting period. Although these estimates are based upon the management's best knowledge of current events and actions, uncertainty about these assumptions and estimates could result in the outcomes requiring a material adjustment to the carrying amounts of assets or liabilities in future period. Appropriate changes in estimates are made as management becomes aware of changes in circumstances surrounding the estimates. Application of accounting policies that require significant accounting estimates involving complex and subjective judgements and the use of assumptions in these Standalone Financial statements have been disclosed separately under the heading “Significant accounting Judgements, estimates and assumption”.

**IV. Current Vs Non-current classification**

All assets and liabilities have been classified as current or non-current as per the Company's normal operating cycle and other criteria set out in the Schedule III to the Act. Based on the nature of products and the time between the acquisition of assets for processing and their realisation in cash and cash equivalents, the Company has determined its operating cycle as twelve months for the purpose of current – non-current classification of assets and liabilities.

Deferred tax assets and liabilities are always classified as non-current assets and liabilities.

**V. Revenue recognition**

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances, rebates, goods and services taxes plus amount collected on behalf of third parties.

***Revenue from contracts with customers*** is recognized when control of the goods and services are transferred to the customer at an amount that reflects the consideration which the company expects to be entitled in exchange for those goods or services.

Revenue from sale of goods is recognized at the point of time when the control of the goods is transferred to the customer, which generally coincides with the delivery of the goods.

The company considers any other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated. In determining transaction price for the goods, the company consider the effect of variable consideration, the existence significant financing components, non-cash consideration and consideration payable to the customer, if any.

Revenue is recognised when the performance obligation is satisfied either over time or at a point of time.

***Other Operating Revenues*** comprise of income from ancillary activities incidental to the operations of the Company and is recognised when the right to receive the income is established as per the terms of the contract.

***Dividend income*** from investments is recognised when the Company's right to receive payment has been established.

**Interest Income** from a financial asset is recognised when it is probable that the economic benefits will flow to the Company and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset or shorter period, where appropriate to the gross carrying amount of the financial asset or to the amortized cost of a financial asset.

When calculating the effective interest rate, the company estimates the expected cash flows by considering all the contractual terms of the financial instrument but does not consider the expected credit losses. Interest income is included in other income in the statement of profit and loss. The expected cash flows are reassessed on a yearly basis and changes, if any, are accounted prospectively.

**VI. Leases**

***The Company as a lessor:*** Leases for which the company is a lessor is classified as a finance or operating lease. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

***The Company as a lessee:*** The Company's lease asset classes primarily consist of leases for land and buildings. The Company assesses whether a contract contains a lease, at the inception of a contract. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether

i. the contract involves the use of an identified asset

ii. the Company has substantially all of the economic benefits from use of the asset through the period of the lease and

iii. the Company has the right to direct the use of the asset.

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

Certain lease arrangements includes the options to extend or terminate the lease before the end of the lease term. ROU assets and lease liabilities includes these options when it is reasonably certain that they will be exercised. The ROU assets are initially recognized at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or prior to the commencement date of the lease plus any initial direct costs less any lease incentives. They are subsequently measured at cost less accumulated depreciation and impairment losses.

ROU assets are depreciated from the commencement date on a straight-line basis over the shorter of the lease term and useful life of the underlying asset. ROU assets are evaluated for recoverability whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. For the purpose of impairment testing, the recoverable amount (i.e. the higher of the fair value less cost to sell and the value-in- use) is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. In such cases, the recoverable amount is determined for the Cash Generating Unit (CGU) to which the asset belongs.

The lease liability is initially measured at amortized cost at the present value of the future lease payments. The lease payments are discounted using the interest rate implicit in the lease or, if not readily determinable, using the incremental borrowing rates. Lease liabilities are remeasured with a corresponding adjustment to the related ROU asset if the Company changes its assessment if whether it will exercise an extension or a termination option.

Lease liability and ROU assets have been separately presented in the Balance Sheet and lease payments have been classified as financing cash flows.

**VII. Foreign Currency Transactions**

**Functional and presentation currency**

The Standalone financial statements are presented in Indian Rupee (`) which is also the functional and presentation currency of the Company.

**Initial Recognition**

Transactions in foreign currencies are translated into the functional currency of the Company at the exchange rates prevailing at the dates of the transactions or an average rate if the average rate approximates the actual rate at the dates of the transactions.

**Conversion**

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Non-monetary assets and liabilities that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction.

Exchange differences arising on monetary items on settlement, or restatement as at reporting date, at rates different from those at which they were initially recorded, are recognized in the statement of profit and loss in the year in which they arise.

**VIII. Property, Plant and Equipment**

Property, Plant and Equipment (PPE), being fixed assets are tangible items that are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and are expected to be used for more than a period of twelve months.

Items of PPE are measured at cost, which includes capitalised borrowing costs, less accumulated depreciation and accumulated impairment losses, if any. Financing costs (if any) relating to acquisition of assets which take substantial period of time to get ready for intended use are also included to the extent they relate to the period up to such assets are ready for their intended use.

Initial Cost of an item of PPE comprises its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates, any directly attributable cost of bringing the item to its location and working condition necessary for it to be capable of operating in the manner intended by the Management and estimated costs of dismantling and removing the item and restoring the site on which it is located.

Items such as spare parts, stand-by equipment and servicing equipment are capitalized when they meet the definition of property, plant and equipment.

If significant parts of an item of PPE have different useful lives, then they are accounted for as separate items (major components) of PPE.

***Subsequent costs and disposal:*** Subsequent expenditure related to an item of PPE is added to its book value only if it increases the future economic benefits from the existing asset beyond its previously assessed standard of performance/life.

All other expenses on existing PPE, including day-to-day repair and maintenance expenditure and cost of replacing parts re charged to the statement of profit and loss for the period during which such expenses are incurred.

***Derecognition:*** The carrying amount of an item of PPE is derecognised on disposal or when no future economic benefits are expected from its use or disposal.

Gains or losses arising from derecognition of PPE are measured as the difference between the net disposal proceeds and the carrying amount of the assets and are recognized in the statement of profit and loss when the asset is derecognized.

**Capital-work-in-progress:** Assets in the course of construction are capitalized in capital work in progress account. At the point when an asset is capable of operating in the manner intended by management, the cost of construction is transferred to the appropriate category of property, plant and equipment. Costs (net of income) associated with the commissioning of an asset are capitalised until the period of commissioning has been completed and the asset is ready for its intended use.

**Depreciation:** Depreciation on PPE is provided under straight line method as per the useful lives and manner prescribed under Schedule II to the Companies Act, 2013, except for plant & equipments where the useful life is estimated to be 20 years (10years based on triple shift basis), based on technical evaluation.

The Management believes that the estimated useful lives as per the provisions of Schedule II to the Companies Act, 2013, wherever adopted, are realistic and reflect fair approximation of the period over which the assets are likely to be used.

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, if there has been a significant change in the expected pattern of consumption of future economic benefits embodied in the asset, depreciation is charged prospectively to reflect the changedpattern.

The Company has used the following useful lives to provide depreciation on its Property, Plant and Equipment:

| Class of Assets | Useful Lives |
|---|---|
| Factory Buildings | 30 Years |
| Non- Factory Buildings | 60 Years |
| Improvements to Lease hold Buildings | Term of Lease or estimated useful life whichever is earlier |
| Plant and Equipment | 10 Years (on triple shift basis) |
| Vehicles – Two wheeler | 10 Years |
| Vehicles – Four wheeler | 8 years |
| Furniture and Fixtures | 10 Years |
| Office equipments | 5 years |
| Computers | 3 years |

**IX. Intangible Assets and Amortisation:**

An intangible asset is an identifiable non-monetary asset without physical substance.

Intangible assets are recognised only if it is probable that future economic benefits that are attributable to the asset will flow to the enterprise and the cost of the asset can be measured reliably.

Intangible assets are measured on initial recognition at cost and subsequently are carried at cost less accumulated amortization and impairment, if any.Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

The Company has used the following useful lives to amortise its intangible assets:

| Class of Assets | Useful Lives |
|---|---|
| Computer software - Acquired | 6 years |

X. **Impairment of Non Financial assets:**

The Company periodically assesses whether there is any indication that an asset or a group of assets comprising a cash generating unit may be impaired. If any such indication exists, the Company estimates the recoverable amount of the asset. For an asset or group of assets that does not generate largely independent cash inflows, the recoverable amount is determined for the cash- generating unit to which the asset belongs. If such recoverable amount of the asset or the recoverable amount of the cash generating unit to which the asset belongs is less than its carrying amount, the carrying amount is reduced to its recoverable amount. The reduction is treated as an impairment loss and is recognized in the statement of profit and loss. If at the balance sheet date there is an indication that if a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount subject to a maximum of depreciable historical cost. An impairment loss is reversed only to the extent that the amount of asset does not exceed the net book value that would have been determined if no impairment loss had been recognized.

XI. **Borrowings:**

Borrowing cost includes interest expense as per Effective Interest Rate (EIR) and exchange differences arising from foreign currency borrowings to the extent they are regarded as an adjustment to the interest cost.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in the statement of profit and loss in the period in which they are incurred.

**XII. Government Grants:**

Grants and subsidies from the government are recognised when there is reasonable assurance that (i) the Company will comply with the conditions attached to them, and (ii) the grant/subsidy will be received.

When the grant or subsidy relates to revenue, it is recognised as income on a systematic basis in profit or loss over the periods necessary to match them with the related costs, which they are intended to compensate.

Where the grant relates to an asset, it is recognised as deferred income and released to income in equal amounts over the expected useful life of the related asset and presented within other income. When the Company receives grants of non-monetary assets, the asset and the grant are recorded at fair value amounts and released to profit or loss over the expected useful life in a pattern of consumption of the benefit of the underlying asset.

**XIII. Earnings per share:**

Basic earnings per share is computed by dividing the profit / (loss) after tax attributable to equity shareholders by the weighted average number of equity shares outstanding during the year.

Diluted earnings per share is computed by dividing the profit / (loss) after tax as adjusted for dividend, interest and other charges to expense or income (net of any attributable taxes) relating to the dilutive potential equity shares, by the weighted average number of equity shares considered for deriving basic earnings per share and the weighted average number of equity shares which could have been issued on the conversion of all dilutive potential equity shares including the treasury shares held by the Company to satisfy the exercise of the share options by the employees.

**XIV.Inventories:**

Inventories are stated at the lower of cost and net realisable value.

***Cost of raw materials*** includes cost of purchase and other costs incurred in bringing the inventories to their present location and condition.

***Cost of finished goods and work in progress*** include cost of direct materials and labour and a proportion of manufacturing overheads based on the normal operating capacity but excluding borrowing costs.

Costs of inventories are determined on weighted average basis. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

The Net realisable value of work-in-progress is determined with reference to the selling prices of related finished products.

Raw Material, components and other supplies held for use in the production of finished products are not written down below cost except in cases where material prices have declined and it is estimated that the cost of the finished products will exceed their net realisable value. The comparison of cost and net realisable value is made on item-by-item basis.

Stores & Spares which do not meet the definition of PPE are accounted as inventories.

**XV. Cash and cash equivalents:**

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

**XVI. Taxation**

Income tax expense comprises current tax and the net change in the deferred tax asset or liability during the year.

***Current income tax*** assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date.

Current income tax relating to items recognized directly in equity is recognized in other comprehensive income / equity and not in the statement of profit and loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

***Deferred tax*** is provided, using the balance sheet method, on all deductible temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes and on carry forward of unused tax credits and unused tax loss.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date. Deferred tax relating to items recognized outside profit or loss is recognised outside profit or loss (either in other comprehensive income or equity).

Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised. The carrying amount of deferred tax assets is reviewed at each reporting date and is adjusted to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognized deferred tax assets are re-assessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

***Presentation of current and deferred tax:***

Current and deferred tax are recognized as income or an expense in the Statement of Profit and Loss, except when they relate to items that are recognized in Other Comprehensive Income, in which case, the current and deferred tax income/expense are recognized 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.

Deferred tax assets and liabilities are offset 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.

**XVII. Employee Benefits**

***Retirement benefit costs and termination benefits:***

i. **Defined Contribution Plan:** A defined contribution plan is a post-employment benefit plan under which the Company pays specified contributions to a separate entity. The Company makes specified monthly contributions towards Provident Fund and Employee State Insurance. The Company's contribution is recognized as an expense in the Statement of Profit and Loss during the period in which the employee renders the related service. Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions.

ii. **Defined Benefit Plan:** The cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each annual reporting period. Re-measurement, 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 immediately in the statement of financial position with a charge or credit recognised in other comprehensive income in the period in which they occur. Re-measurement recognised in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss. Past service cost is recognised in profit or loss in the period of a plan amendment.

Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset. Defined benefit costs are categorised as follows:

a. service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlements);

b. net interest expense or income; and

c. re-measurement

The Company presents the first two components of defined benefit costs in profit or loss in the line item 'Employee benefits expenses'. Curtailment gains and losses are accounted for as past service costs.The retirement benefit obligation recognised in the statement of financial position represents the actual deficit or surplus in the Company's defined benefit plans. The Company presents the above liability/(asset) as current and non-current in the Balance Sheet as per actuarial valuation by the independent actuary and also considering whether the Company will contribute this amount to the gratuity fund within the next twelve months.

A liability for a termination benefit is recognised at the earlier of when the entity can no longer withdraw the offer of the termination benefit and when the entity recognises any related restructuring costs.

***Short-term and other long-term employee benefits:***

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and sick leave in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.Liabilities recognised in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

Liabilities recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Company in respect of services provided by employees up to the reporting date.

**XVIII. Provisions and contingent liabilities**

Provisions are recognised when the Company has a present obligation (legal or constructive), as a result of past events, and it is probable that an outflow of resources, that can be reliably estimated, will be required to settle such an obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. When there is a possible obligation that the likelihood of outflow of resources is remote, no provision or disclosure is made.

**XIX. Financial Instruments**

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through Statement of Profit and Loss (FVTPL)) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit and loss are recognised immediately in Statement of Profit and Loss.

**A. Financial Assets:**

***(i) Recognition and initial Measurement:*** The Company initially recognises loans and advances, deposits, debt securities issues and subordinated liabilities on the date on which they originate. All other financial instruments (including regular way purchases and sales of financial assets) are recognised on the trade date, which is the date on which the Company becomes a party to the contractual provisions of the instrument. A financial asset or liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue.

***(ii) Classification of financial assets:*** On initial recognition, a financial asset is classified to be measured at amortised cost, fair value through other comprehensive income (FVTOCI) or FVTPL.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated at FVTPL:

- The asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

  A debt instrument is classified as FVTOCI only if it meets both of the following conditions and is not recognised at FVTPL;

i) The asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and

ii) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments included within the FVTOCI category are measured initially as well as at each reporting date at fair value. Fair value movements are recognized in the Other Comprehensive Income (OCI). However, the Company recognizes interest income, impairment losses & reversals and foreign exchange gain or loss in the Statement of Profit and Loss. On derecognition of the asset, cumulative gain or loss previously recognised in OCI is reclassified from the equity to Statement of Profit and Loss. Interest earned whilst holding FVTOCI debt instrument is reported as interest income using the EIR method.

**Equity investments (other than investments in subsidiaries and joint ventures):**

All equity investments within the scope of Ind AS 109, 'Financial Instruments' are measured at fair value. Equity instruments which are held for trading and contingent consideration recognised by an acquirer in a business combination to which Ind AS 103 applies are classified as at FVTPL. For all other equity instruments, the Company may make an irrevocable election to present in other comprehensive income subsequent changes in the fair value. The Company makes such election on an instrument-by instrument basis. The classification is made on initial recognition and is irrevocable. If the Company decides to classify an equity instrument as at FVTOCI, then all fair value changes on the instrument, excluding dividends, are recognized in the OCI. There is no recycling of the amounts from OCI to Statement of Profit and Loss, even on sale of investment. However, the Company may transfer the cumulative gain or loss within equity.

Equity instruments included within the FVTPL category are measured at fair value with all changes recognized in the Statement of Profit and Loss.

All other financial assets are classified as measured at FVTPL. In addition, on initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVTOCI or at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any gains and losses arising on remeasurement recognized in statement of profit or loss. The net gain or loss recognized in statement of profit or loss incorporates any dividend or interest earned on the financial asset and is included in the 'other income' line item. Dividend on financial assets at FVTPL is recognized when:

a. The Company's right to receive the dividends is established,

b. It is probable that the economic benefits associated with the dividends will flow to the entity,

The dividend does not represent a recovery of part of cost of the investment and the amount of dividend can be measured reliably.

**Investment in Subsidiaries, Associates and Joint ventures:**

The Company's investment in equity instruments of Subsidiaries, Associates and Joint venture are accounted for at cost as per Ind AS 27.

**(iii) Derecognition of financial assets:** The Company derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received. On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss if such gain or loss would have otherwise been recognised in profit or loss on disposal of that financial asset. On derecognition of a financial asset other than in its entirety (e.g. when the Company retains an option to repurchase part of a transferred asset), the Company allocates the previous carrying amount of the financial asset between the part it continues to recognise under continuing involvement, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised inprofit or loss if such gain or loss would have otherwise been recognised in profit or loss on disposal of that financial asset. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

**iv. Impairment:** The Company assesses at each reporting date whether a financial asset (or a group of financial assets) is impaired based on evidence or information that is available without undue cost or effort. Expected credit losses are assessed and loss allowances recognised if the credit quality of the financial asset has deteriorated significantly since initial recognition.

Ind AS 109 requires expected credit losses to be measured through a loss allowance. The Company recognizes lifetime expected losses for all contract assets and / or all trade receivables that do not constitute a financing transaction. For all other financial assets, expected credit losses are measured at an amount equal to the 12-month expected credit losses or at an amount equal to the life time expected credit losses, if the credit risk on the financial asset has increased significantly since initial recognition.

**B. Financial liabilities and equity instruments**

Financial liabilities are classified as at FVTPL when the financial liability is either held for trading or it is designated as at FVTPL.

***(i) Recognition and initial Measurement:***

A financial liability is classified as held for trading if:

i) It has been incurred principally for the purpose of repurchasing it in the near term; or

ii) on initial recognition it is part of a portfolio of identified financial instruments that the Company manages together and has a recent actual pattern of short-term profit-taking; or

iii) it is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

i) such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise;

ii) the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Company's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

iii) it forms part of a contract containing one or more embedded derivatives, and Ind AS 109 permits the entire combined contract to be designated as at FVTPL in accordance with Ind AS 109.

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in Statement of Profit and Loss. The net gain or loss recognised in Statement of Profit and Loss incorporates any interest paid on the financial liability and is included in the 'other gains and losses' line item in the Statement of Profit and Loss. The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in Statement of Profit and Loss.

***(ii) Subsequent measurement***

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

**a. Loans and borrowings**

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the Effective Interest Rate (EIR) method. Gains and losses are recognized in profit or loss when the liabilities are de -recognized as well as through the EIR amortization process. Amortized 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 amortization is included as finance costs in the statement of profit and loss.

**b. Trade and other payables**

These amounts represent liabilities for goods or services provided to the Company which are unpaid at the end of the reporting period. Trade and other payables are presented as current liabilities when the payment is due within a period of 12 months from the end of the reporting period.

For all trade and other payables classified as current, the carrying amounts approximate fair value due to the short maturity of these instruments. Other payables falling due after 12 months from the end of the reporting period are presented as non-current liabilities and are measured at amortized cost unless designated as fair value through profit and loss at the inception.

**c. Other financial liabilities at fair value through profit or loss:**

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Gains or losses on liabilities held for trading are recognized in the profit or loss.

**Other financial liabilities:**Other financial liabilities (including borrowings and trade and other payables) are subsequently measured at amortised cost using the effective interest method.

***(iii) Derecognition of financial liabilities:*** The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or have expired. An exchange between with a lender of debt instruments with substantially different terms is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, a substantial modification of the terms of an existing financial liability (whether or not attributable to the financial difficulty of the debtor) is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

***(iv) Derivative financial instruments:*** The Company enters into a variety of derivative financial instruments to manage its exposure to interest rate and FE rate risks.

Derivatives are initially recognised at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in Statement of Profit and Loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in Statement of Profit and Loss depends on the nature of the hedge item.

**C. Offsetting of financial instruments**

Financial assets and financial liabilities are offset and the net amount is reported in the balance sheet if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realize the assets and settle the liabilities simultaneously.

**d. Compound Financial Instruments**

A financial instrument that comprises of both the liability and equity components are accounted as compound financial instruments. The fair value of the liability component is separated from the compound instrument and is subsequently measured at amortized cost. The residual value is recognized as equity component of other financial instrument and is not re-measured after initial recognition.

The transaction costs related to compound instruments are allocated to the liability and equity components in the proportion to the allocation of gross proceeds. Transaction costs related to equity component is recognized directly in equity and the cost related to liability component is included in the carrying amount of the liability component and amortized using effective interest method.

**XX. Fair value measurement:**

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

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

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

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

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

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs. All assets and liabilities for which fair value is measured or disclosed in the Standalone financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

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

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

**Significant accounting judgements, estimates and assumptions**:

The preparation of financial statements in conformity with the recognition and measurement principles of Ind AS requires management to make judgments, estimates and assumptions that affect the reported balances of revenues, expenses, assets and liabilities and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future period, if the revision affects current and future period.

The following are the areas of estimation uncertainty and critical judgments that the management has made in the process of applying the Company's accounting policies:

i. **Useful Lives of Property, Plant and Equipment:** Management reviews the useful lives of property, plant and equipment at least once a year. Such lives are dependent upon an assessment of both the technical lives of the assets and also their likely economic lives based on various internal and external factors including relative efficiency and operating costs. Accordingly, depreciable lives are reviewed annually using the best information available to the Management.

ii. **Impairment:** Determining whether the assets are impaired requires an estimate in the value in use of the assets. The value in use calculation requires the Management to estimate the future cash flows expected to arise from the asset and a suitable discount rate in order to calculate present value. When the actual cash flows are less than expected, a material impairment loss may arise.

iii. **Provisions and Contingencies**: Provisions and liabilities are recognized in the period when it becomes probable that there will be a future outflow of funds resulting from past operations or events that can reasonably be estimated. The timing of recognition requires application of judgement to existing facts and circumstances which may be subject to change. The amounts are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

iv. **Fair Value Measurement:** When the fair values of financial assets or financial liabilities recorded or disclosed in the Standalone financial statements cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the DCF model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. Judgements include consideration of inputs such as liquidity risk, credit risk and volatility. Information about the valuation techniques and inputs used in determining the fair value of various assets and liabilities are disclosed in note 37.

v. **Taxes:** Deferred tax assets are recognized for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

vi. **Defined Benefit Obligation:** The costs of providing Gratuity and other post-employment benefits are charged to the Statement of Profit and Loss in accordance with Ind AS 19 'Employee benefits' over the period during which benefit is derived from the employees' services. The costs are assessed on the basis of assumptions selected by the management. These assumptions include salary escalation rate, discount rates, expected rate of return on assets and mortality rates. The same is disclosed in Note 35, 'Employee benefits '.

vii. **Inventories:** An inventory provision is recognised for cases where the realisable value is estimated to be lower than the inventory carrying value. The inventory provision is estimated taking into account various factors, including prevailing sales prices of inventory item and losses associated with obsolete / slow-moving / redundant inventory items. The Company has, based on these assessments, made adequate provision in the books

viii. **Leases :** Significant judgments are required in the assumption and estimates in order to determine the ROU Asset and lease liability. The assumption and estimates include application of practical expedients, selection of accounting policy choices, assessment of lease terms, applicable incremental borrowing rate, among others.

**Recent amendments and pronouncements:**

On 24th March 2021, the Ministry of Corporate Affairs (“MCA”) through a notification, amended Schedule III of the Companies Act, 2013. The amendments primarily relate to:

(a) Change in existing presentation requirement for certain amounts in Balance sheet, for eg., lease liabilities, security deposits, current maturities of long term borrowings, effect of prior period errors on Equity Share Capital.

(b) Additional disclosure requirements in specified formats, for eg., ageing of trade receivables, trade payables, capital work in progress, intangible assets, shareholding of promoters, etc.

(c) Disclosure of funds that have been used other than for the specified purposes for which it was borrowed from banks and financial institutions.

(d) Additional Regulatory information, for eg., compliance with Number of layers of Companies, title deeds of immovable properties, disclosure on financial ratios, loans and advances to managerial personnel, etc.

(e) Disclosure relating to Corporate Social Responsibility, undisclosed income and holding in respect of crypto or virtual currency.

These amendments are extensive and the company is in the process of evaluating the same.

## Non Current Assets

## 2. PROPERTY, PLANT AND EQUIPMENT

₹ Lakhs

| Particulars | Land | Building | Plant and equipment | Furnitures including office Equipments | Vehicles | Computer | Total |
|---|---|---|---|---|---|---|---|
| **Gross Carrying Value** | | | | | | | |
| **As at 31st March 2019** | **26,431.22** | **6,863.71** | **24,546.08** | **181.12** | **213.61** | **113.69** | **58,349.43** |
| Additions | - | 85.93 | 961.83 | 6.44 | 20.65 | 17.04 | 1,091.89 |
| Deductions | 2,643.00 | 104.67 | 64.94 | 0.45 | 12.77 | 0.11 | 2,825.94 |
| **As at 31st March 2020** | **23,788.22** | **6,844.97** | **25,442.97** | **187.11** | **221.49** | **130.62** | **56,615.38** |
| Additions / Adjustments | - | 1.27 | 633.56 | 8.13 | 57.99 | 16.47 | 717.42 |
| Deductions | - | - | 151.62 | 0.05 | 30.09 | 1.59 | 183.35 |
| **As at 31st March 2021** | **23,788.22** | **6,846.24** | **25,924.91** | **195.19** | **249.39** | **145.50** | **57,149.45** |
| **Accumulated depreciation and impairment** | | | | | | | |
| **As at 31st March 2019** | **-** | **1,036.66** | **8,391.07** | **71.41** | **83.19** | **43.74** | **9,626.07** |
| Depreciation | - | 343.77 | 2,787.78 | 22.51 | 27.81 | 22.91 | 3,204.78 |
| Deductions | - | 7.45 | 27.49 | 0.22 | 8.38 | - | 43.54 |
| **As at 31st March 2020** | **-** | **1,372.98** | **11,151.36** | **93.70** | **102.62** | **66.65** | **12,787.31** |
| Depreciation / Adjustments | - | 342.55 | 2,721.15 | 23.39 | 25.37 | 24.35 | 3,136.81 |
| Deductions | - | - | 78.02 | - | 19.30 | 0.30 | 97.62 |
| **As at 31st March 2021** | **-** | **1,715.53** | **13,794.49** | **117.09** | **108.69** | **90.70** | **15,826.50** |
| **Net Carrying Value** | | | | | | | |
| As at 31st March 2020 | 23,788.22 | 5,471.99 | 14,291.61 | 93.41 | 118.87 | 63.97 | 43,828.07 |
| **As at 31st March 2021** | **23,788.22** | **5,130.71** | **12,130.42** | **78.10** | **140.70** | **54.80** | **41,322.95** |

Certain Property, Plant and Equipment has been given as security against borrowings availed by the company. (Refer note no. 16 & 20).

## 3 (a) Right to use asset:

₹ Lakhs

| Particulars | Land | Building | Total |
|---|---|---|---|
| **Gross Carrying Value** | | | |
| **As at 31st March 2019** | - | - | - |
| Additions | - | 387.85 | 387.85 |
| Reclassification from Prepayment | 390.60 | - | 390.60 |
| Deductions | - | - | - |
| **As at 31st March 2020** | **390.60** | **387.85** | **778.45** |
| Additions | - | - | - |
| Reclassification from Prepayment | - | (4.55) | (4.55) |
| Deductions | - | - | - |
| **As at 31st March 2021** | **390.60** | **383.30** | **773.90** |
| **Accumulated Amortization and Impairment** | | | - |
| **As at 31st March 2019** | **-** | **-** | **-** |
| Amortization | 30.36 | 24.57 | 54.93 |
| Deductions | - | - | - |
| **As at 31st March 2020** | **30.36** | **24.57** | **54.93** |
| Amortization | 30.68 | 97.10 | 127.78 |
| Deductions | - | - | - |
| **As at 31st March 2021** | **61.04** | **121.67** | **182.71** |
| **Net Carrying Value** | | | |
| As at 31st March 2020 | 360.24 | 363.28 | 723.52 |
| **As at 31st March 2021** | **329.56** | **261.63** | **591.19** |

### 3(b) CAPITAL WORK IN PROGRESS

₹ Lakhs

| Particulars | Amount |
|---|---|
| **Gross Carrying Value** | |
| **As at 31st March 2019** | **243.09** |
| Additions | 55.87 |
| Deductions | 160.10 |
| **As at 31st March 2020** | **138.86** |
| Additions | 256.20 |
| Deductions | 138.86 |
| **As at 31st March 2021** | **256.20** |
| **Accumulated depreciation and impairment** | |
| **As at 31st March 2019** | **6.59** |
| Amortization | - |
| Deductions | 6.59 |
| **As at 31st March 2020** | **-** |
| Amortization | - |
| Deductions | - |
| **As at 31st March 2021** | **-** |
| **Net Carrying Value** | |
| As at 31st March 2020 | 138.86 |
| **As at 31st March 2021** | **256.20** |

### 3(c) INTANGIBLE ASSET

₹ Lakhs

| Particulars | Intangible Assets Computer Software | Intangible Assets Under Development |
|---|---|---|
| **Gross Carrying Value** | | |
| **As at 31st March 2019** | **95.46** | **-** |
| Additions | 30.32 | - |
| Deductions | - | - |
| **As at 31st March 2020** | **125.78** | **-** |
| Additions | 4.72 | 7.94 |
| Deductions | - | - |
| **As at 31st March 2021** | **130.50** | **7.94** |
| **Accumulated Amortization and Impairment** | | |
| **As at 31st March 2019** | **69.42** | **-** |
| Amortization | 14.12 | - |
| Deductions | - | - |
| **As at 31st March 2020** | **83.54** | **-** |
| Amortization | 8.50 | - |
| Deductions | - | - |
| **As at 31st March 2021** | **92.04** | **-** |
| **Net Carrying Value** | | |
| As at 31st March 2020 | 42.24 | - |
| **As at 31st March 2021** | **38.46** | **7.94** |

## Non Current Assets (Contd)

## 4. FINANCIAL ASSETS: INVESTMENTS

₹ Lakhs

| Particulars | | 31.03.2021 | 31.03.2020 |
|---|---|---|---|
| **Investment in Partnership Firm - at Amortized cost** | | | |
| Investment in Partnership Firm - Suprem Associates * | | 10.00 | 10.00 |
| **Investment in equity shares at fair value through other comprehensive income** | | | |
| **Trade Investments - Unquoted, fully paid up** | | | |
| 12,06,000 shares | A.P. Gas Power Corporation Limited of Rs.10 each (as on 31.03.20 -12,06,000 shares) | 1,073.34 | 1,085.40 |
| 2,25,000 shares | Sai Regency Power Corporation Private limited of Rs.10 each (as on 31.03.20 - 2,25,000 shares) | - | - |
| 14,000 shares | OPG Energy Private Limited of Rs.10 each (as on 31.03.20 - 14,000 shares) | 1.40 | 1.40 |
| 83,004 shares | Ind-Bharath Power Gencom Limited of Rs.10 each (as on 31.03.20 - 83,004 shares) | - | 1.42 |
| | **Total Trade Investments** | **1,074.74** | **1,088.22** |
| **Other Investment - Unquoted, fully paid-up** | | | |
| 100 shares | Precot Mills Employees Cooperative Credit Society of Rs.10 each (as on 31.03.20 - 100 shares) | 0.01 | 0.01 |
| 100 shares | Precot Mills Multi purpose stores of Rs.10 each (as on 31.03.20 - 100 shares) | 0.01 | 0.01 |
| 10 shares | Precot Workers Credit Co-operative Stores of Rs.10 each (as on 31.03.20 - 10 shares) | 0.00 | 0.00 |
| 10,000 shares | Cotton Sourcing Company Ltd of Rs.10 each (as on 31.03.20 - 10,000 shares) | 1.00 | 1.00 |
| | **Total Other Investments** | **1.02** | **1.02** |
| | In Government Securities | 0.02 | 0.02 |
| | **TOTAL INVESTMENTS** | **1,085.78** | **1,099.26** |
| **Aggregate amount of Quoted Investments and Market Value thereof** | | - | - |
| **Aggregate amount of Unquoted Investments** | | **1,085.78** | **1,099.26** |
| **Category-wise Non current investment** | | | |
| Financial assets carried at amortized cost | | **10.00** | **10.00** |
| Financial assets measured at fair value through other comprehensive income | | **1,075.78** | **1,089.26** |
| | **Total Non current investment** | **1,085.78** | **1,099.26** |

₹ Lakhs

*** The particulars of partners of the partnership firm, the profit sharing ratio and the capital account balances are as follows:**

| Particulars | Profit Sharing ratio | Capital as at 31st March 2021 | Capital as at 31st March 2020 |
|---|---|---|---|
| Precot Ltd | **99%** | **10.00** | 10.00 |
| V.Subramanian | **1%** | **0.10** | 0.10 |

The other investments included in investments are valued at cost approach to arrive at the fair value as there is a wide range of possible fair value measurement and the cost represents estimate of fair value within that range considering the purpose of the investment.

### 5. LOANS

₹ Lakhs

| Particulars | 31.03.2021 | 31.03.2020 |
|---|---|---|
| **Unsecured, considered good** | | |
| Security Deposits | **989.45** | 754.84 |
| Dues from Partnership firm in which the company is a partner* (Refer note no.47) | **71.47** | 71.48 |
| | **1060.92** | **826.32** |

* Represents advances given for business purposes.

### 6. OTHER NON-CURRENT ASSETS

₹ Lakhs

| Particulars | 31.03.2021 | 31.03.2020 |
|---|---|---|
| **Unsecured, considered good** | | |
| i) Capital advances | **276.78** | 22.44 |
| ii) Advances other than Capital advances | | |
| Advance Tax, net off provisions | **170.21** | 146.78 |
| **Others** | | |
| Prepayments | **13.07** | 17.53 |
| | **460.06** | **186.75** |

**CURRENT ASSETS:**

**7. INVENTORIES** (at lower of cost and net realisable value)

₹ Lakhs

| Particulars | 31.03.2021 | 31.03.2020 |
|---|---|---|
| Raw Materials | **8,994.75** | 6,740.70 |
| Work-in-progress | **1,617.72** | 1,199.45 |
| Finished goods | **1,536.91** | 3,652.48 |
| Stores and spares | **913.23** | 754.03 |
| Waste Cotton | **56.93** | 85.39 |
| | **13,119.54** | **12,432.05** |
| **Details of stock in transit** | | |
| Raw Materials | **826.85** | 1,711.58 |
| Stores and spares | **63.29** | - |
| **Total** | **890.14** | **1,711.58** |

(i) For method of valuation of inventories, refer note no. 1

(ii) Inventory held at net realizable value amounting to CY ₹ 605.49 Lakhs PY ₹ 371.54 Lakhs.
The amount of write down of inventory recognised as an expense during the year is CY ₹ 16.50 Lakhs - PY ₹ 44.50 Lakhs

(iii) There has been no reversal of such write down in current and previous years.

(iv) Inventories have been given as security against certain bank borrowings of the Company. (Refer note no.16 & 20)

(v) Cost of inventory recognised as an expense:

₹ Lakhs

| Particulars | 31.03.2021 | 31.03.2020 |
|---|---|---|
| Cost of materials consumed | **34,052.11** | 41,518.77 |
| Cost of traded goods sold | **76.83** | 475.67 |
| Consumption of Stores & Spare parts | **2,685.11** | 2,718.14 |
| Power & Fuel | **443.19** | 517.84 |

**8. TRADE RECEIVABLES**

₹ Lakhs

| Particulars | 31.03.2021 | 31.03.2020 |
|---|---|---|
| **Unsecured, considered good** | **10,197.56** | 8,930.78 |
| - with significant increase in credit risk | **295.57** | 55.91 |
| | **10,493.13** | 8,986.69 |
| Less: Allowance for expected credit loss | **(295.57)** | (55.91) |
| | **10,197.56** | **8,930.78** |

Ageing of receivables that are past due but not impaired

₹ Lakhs

| Particulars | 31.03.2021 | 31.03.2020 |
|---|---|---|
| 60-90 days | **943.13** | 849.20 |
| 90-180 days | **261.51** | 439.34 |
| > 180 days | **433.16** | 304.10 |
| **Total** | **1,637.80** | **1,592.64** |

Movement in Allowance for expected credit loss is as follows:

₹ Lakhs

| Particulars | 31.03.2021 | 31.03.2020 |
|---|---|---|
| Opening | **55.91** | 60.33 |
| Additions | **248.66** | 21.70 |
| Reversal | **9.00** | 26.12 |
| **Closing** | **295.57** | **55.91** |

The credit period on sales of goods ranges from 21 to 70 days without security. No interest is charged on trade receivables upto the end of the credit period.

Trade receivables have been given as collateral towards borrowings (Refer note no.16 & 20).

The Company's exposure to credit and currency risk related to trade receivables are given in note no.39.

Expected credit losses are estimated after taking into account historical credit loss experiences of the Company.

## 9. CASH AND CASH EQUIVALENTS

₹ Lakhs

| Particulars | 31.03.2021 | 31.03.2020 |
|---|---|---|
| **Balances with Banks** | | |
| Current accounts | **105.56** | 32.99 |
| Cash on hand | **3.82** | 5.20 |
| | **109.38** | **38.19** |

## 10. BANK BALANCE OTHER THAN CASH AND CASH EQUIVALENTS

₹ Lakhs

| Particulars | 31.03.2021 | 31.03.2020 |
|---|---|---|
| **Earmarked balances** | | |
| In Unclaimed dividend accounts | **4.91** | 6.68 |
| **Other balances:** | | |
| In margin money * | | |
| with maturity more than 3 months but less than 12 months at inception | **752.53** | 742.31 |
| with maturity more than 12 months at inception | **29.97** | 15.05 |
| | **787.41** | **764.04** |

* Margin money with banks is towards issue of buyers credit and letter of credit for Imports.

## 11. FINANCIAL ASSETS - LOANS

₹ Lakhs

| Particulars | 31.03.2021 | 31.03.2020 |
|---|---|---|
| **Unsecured, considered good** | | |
| Employee Loans / advances | **77.56** | 56.31 |
| | **77.56** | **56.31** |

## 12. OTHER FINANCIAL ASSETS

₹ Lakhs

| Particulars | 31.03.2021 | 31.03.2020 |
|---|---|---|
| **Unsecured, considered good** | | |
| Income accrued | **47.49** | 50.87 |
| **With significant increase in credit risk** | | |
| Interest Subsidy Receivable | **2,142.64** | 2,142.64 |
| Less : Allowance for doubtful advances/ deposits | **(2,142.64)** | (2,142.64) |
| | **47.49** | **50.87** |

Movement in Allowance for doubtful advances is as follows:

₹ Lakhs

| Particulars | 31.03.2021 | 31.03.2020 |
|---|---|---|
| Opening | **2,142.64** | 2,142.64 |
| Additions | **-** | - |
| Reversal | **-** | - |
| **Closing** | **2,142.64** | **2,142.64** |

## 13. OTHER CURRENT ASSETS

₹ Lakhs

| Particulars | 31.03.2021 | 31.03.2020 |
|---|---|---|
| **Unsecured, considered good** | | |
| Advance to Trade Suppliers | **2,795.61** | 261.01 |
| Export incentives receivable | **438.07** | 260.46 |
| Indirect tax balances/ recoverable /credits | **1,285.86** | 999.23 |
| **With significant increase in credit risk** | | |
| Indirect tax balances/ recoverable /credits | **50.04** | 74.53 |
| Less : Allowance for doubtful advances/ deposits | **(50.04)** | (74.53) |
| **Others** | | |
| Prepayments | **176.73** | 180.11 |
| | **4,696.27** | **1,700.81** |

Movement in Allowance for doubtful advances is as follows:

₹ Lakhs

| Particulars | 31.03.2021 | 31.03.2020 |
|---|---|---|
| Opening | **74.53** | **43.95** |
| Additions | **-** | 30.58 |
| Reversal | **24.49** | - |
| **Closing** | **50.04** | **74.53** |

## 14. EQUITY SHARE CAPITAL

₹ Lakhs

| Particulars | 31.03.2021 | 31.03.2020 |
|---|---|---|
| **Authorised** | | |
| 2,13,00,000 Equity Shares of Rs.10 each | **2,130.00** | 2,130.00 |
| (31-03-21 and 31-03-20 - 2,13,00,000 Equity Shares of Rs.10 each) | | |
| **Issued, Subscribed & fully Paid up** | | |
| 1,20,00,000 Equity Shares of Rs.10 each fully paid up | **1,200.00** | 1,200.00 |
| (31-03-21and 31-03-20 - 1,20,00,000 Equity Shares of Rs.10 each) | | |
| | **1,200.00** | **1,200.00** |

(i) The reconciliation of the numbers of shares outstanding is set out below:

| Particulars | 31.03.2021 | | 31.03.2020 | |
|---|---|---|---|---|
| | Number | ₹ Lakhs | Number | ₹ Lakhs |
| At the beginning of the year | **1,20,00,000** | **1,200.00** | 1,20,00,000 | 1,200.00 |
| Add: Issued during the year | **-** | **-** | - | - |
| At the end of the year | **1,20,00,000** | **1,200.00** | 1,20,00,000 | 1,200.00 |

(ii) Terms/rights attached to equity shares :

a. The company has only one class of issued shares referred to as equity shares having a par value of ₹ 10 each. Each holder of equity shares is entitled to one vote per share.

b. The dividend (except in case of interim dividend) proposed by the Board of Directors, if any, is subject to the approval of shareholders in the ensuing Annual General Meeting.

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

(iii) Details of shareholders's holding more than 5% of shares

| S. No. | Particulars | Equity Shares | | | |
|---|---|---|---|---|---|
| | | As at 31.03.2021 | | As at 31.03.2020 | |
| | | No. of Shares held | % of holding | No. of Shares held | % of holding |
| 1 | D Sarath Chandran (Ind) | **16,42,845** | **13.69%** | 16,28,010 | 13.57% |
| 2 | D Sarath Chandran (HUF) | **12,16,251** | **10.14%** | 12,16,251 | 10.14% |
| 3 | Ashwin Chandran | **23,22,801** | **19.36%** | 23,07,987 | 19.23% |
| 4 | Prashanth Chandran | **19,87,022** | **16.56%** | 19,72,411 | 16.44% |

iv) Shares allotted for consideration other than cash - Nil.

v) There are no Shares held by Holding Company / Subsidiaries of ultimate Holding Company.

**15. OTHER EQUITY**

₹ Lakhs

| Particulars | | 31.03.2021 | 31.03.2020 |
|---|---|---|---|
| General reserve | | **11,796.41** | 11,796.41 |
| Capital Reserve | | **48.19** | 48.19 |
| Capital Redemption Reserve | | **355.00** | 355.00 |
| Securities Premium | | **2,736.46** | 2,736.46 |
| | **(A)** | **14,936.06** | **14,936.06** |
| **Retained earnings** | | | |
| Opening balance | | **10,582.63** | 12,234.84 |
| Add: Profit/(Loss) for the year | | **3,294.77** | (1,652.21) |
| | **(B)** | **13,877.40** | **10,582.63** |
| **Other Comprehensive Income:** | | | |
| Opening balance | | **1,957.22** | 2,854.99 |
| Add: Additions during the year | | **(149.09)** | (897.77) |
| | **(C)** | **1,808.13** | 1,957.22 |
| | **(A+B+C)** | **30,621.59** | **27,475.91** |

**a. General reserve:**

Under the erstwhile Companies Act 1956, general reserve was created through an annual transfer of net income at a specified percentage in accordance with applicable regulations.

Consequent to introduction of Companies Act 2013, the requirement to mandatorily transfer a specified percentage of the net profit to general reserve has been withdrawn.

**b. Capital Redemption Reserve:**

i) An amount of ₹ 55 Lacs was transfered to capital redemption reserve consequent to buy back of 5,50,000 equity shares in July 2002 as per statutory requirement and

ii) ₹ 300 Lacs has been transferred from Meridian Industries Limited in 2006-07 to the Company in the course of business combinations and can be utilized in accordance with the provisions of the Companies Act, 2013.

**C. Securities Premium:**

Security premium has been created consequent to issue of shares at premium. The reserve is utilized in accordance with the provisions of the Companies Act,2013.

**16. FINANCIAL LIABILITIES - BORROWINGS**

₹ Lakhs

| Particulars | | 31.03.2021 | | 31.03.2020 | |
|---|---|---|---|---|---|
| | | Non Current | Current | Non Current | Current |
| **Secured Loans - at amortised cost** | | | | | |
| Term loans from Banks | | **10,654.18** | **5,422.88** | 12,633.25 | 1,383.00 |
| Less: Unamortised upfront fees on borrowings | | **197.91** | **175.38** | 376.13 | 190.46 |
| Less: Amount disclosed under current maturities | | | **5,247.50** | | 1,192.54 |
| | **( A )** | **10,456.27** | **-** | **12,257.12** | **-** |
| **Loans from Others** | | **3.75** | **5.69** | 9.05 | 6.35 |
| Less: Unmatured finance charges | | **0.13** | **0.66** | 0.78 | 1.64 |
| Less: Amount disclosed under current maturities | | **-** | **5.03** | | 4.71 |
| | **( B )** | **3.62** | **-** | **8.27** | **-** |
| | **Total (A+B)** | **10,459.89** | **-** | **12,265.39** | **-** |

**I Term loans from Banks:**

**a. Repayment Terms**

| Note | Terms of Loans | Bank | 31.03.2021 | 31.03.2020 | Description |
|---|---|---|---|---|---|
| 2 | Repayable in 2 quarterly instalments aggregating to ₹ 266.30 lakhs. The interest is payable on monthly basis and the rate of interest varies from 11.75% to 12.95% per annum. | ICICI Bank | 266.30 | 500.00 | Rupee Corporate Loan |
| 2 | Repayable in 2 half yearly instalments aggregating to ₹ 2244.14 lakhs. The interest is payable on monthly basis and the rate of interest varies from 11.25% to 12.45% per annum. | ICICI Bank | 2,244.14 | 3,168.00 | Rupee Tuf loan XIII |
| 3 | Repayable in 12 quarterly instalments aggregating to ₹ 6,290.27 lakhs commencing from June 2021. The interest is payable on monthly basis and the rate of interest varies from 9.50% to 10.10% per annum. | IndusInd Bank | 6,290.27 | 6,000.00 | Term Loan |
| 3 | Repayable in 12 quarterly instalments aggregating to ₹ 3,983.84 lakhs commencing from June 2021. The interest is payable on monthly basis and the rate of interest varies from 9.50% to 10.10% per annum. | IndusInd Bank | 3,983.84 | 3,800.00 | Term Loan |
| 6 | Repayable in 48 monthly instalments aggregating to ₹ 1,000 lakhs commencing from February 2022. The interest is payable on monthly basis and the rate of interest is 8.25% per annum. | IndusInd Bank | 1,000.00 | - | GECL 2.0 Scheme |

| Notes | Terms of Loans | Bank | 31.03.2021 | 31.03.2020 | Description |
|---|---|---|---|---|---|
| 1&2 | Repayable in 14 quarterly instalments aggregating to ₹ 282.41 lakhs commencing from May 2021. The interest is payable on monthly basis and the rate of interest varies from 10.40% to 11.20% per annum. | South Indian Bank | 282.41 | 308.00 | Rupee Tuf loan XVI |
| 4 | Repayable in 12 monthly instalments aggregating to ₹ 161.13 lakhs. The interest is payable on monthly basis and the rate of interest is 7.75% per annum. | State Bank of India | 161.13 | 240.25 | Term Loan (Covid 19 Emergency Credit Line - CELC) |
| 5 | Repayable in 48 monthly instalments aggregating to ₹ 475.07 lakhs commencing from February 2022. The interest is payable on monthly basis and the rate of interest is 7.95% per annum. | State Bank of India | 475.07 | - | GECL 2.0 Scheme |
| 4 | Repayable in 14 monthly instalments aggregating to ₹ 423.89 lakhs. The interest is payable on monthly basis and the rate of interest is 8.00% per annum. | Andhra Bank | 423.89 | - | Term Loan (Covid 19 Emergency Credit Line - ELC) |
| 4 | Repayable in 48 monthly instalments aggregating to ₹ 950.00 lakhs commencing from January 2022. The interest is payable on monthly basis and the rate of interest is 8.80% per annum. | IDBI Bank | 950.00 | - | Working Capital Term Loan under GECL 2.0 Scheme |
| | **Total** | | **16,077.06** | **14,016.25** | |

**b. Security details:**

Note 1 : Exclusive first charge on Machineries acquired out of the loan.

Note 2: Pari passu first charge on entire movable and immovable assets of the company and pari passu second charge on current assets of the company.

Note 3: First charge on the entire moveable and immovable fixed assets of the company, present and future. Second Charge on the current assets of the company, both present and future. Promoters shall offer 3.60 million shares in Precot Limited, currently representing 30% of total shareholding in the company to Indusind Bank Limited (IBL) under Non-Disposal Undertaking (NDU) -Power of Attorney (POA) and 2.52 million shares currently representing 21% of total shareholding in the company to IBL under NDU.

Note 4: Paripassu first charge on Current Assets of the Company and Paripassu second charge on Fixed Assets of the Company.

Note 5: Primary and Collateral - Extension of charges on stocks and receivables

Note 6: First charge on entire movable and immovable fixed assets and pari passu second charge on Current Assets and exclusive charge on Promoter's Residential property

**II** Hire purchase loans from financial institution of ₹ 9.44 Lakhs (March 31, 2020 : ₹ 15.40 Lakhs) carries interest @ 8.73% to 10.65 % p.a. The loans are repayable in 36 monthly instalments starting from the respective date of finance. The loan is secured by specific assets financed (vehicle).

**17. OTHER FINANCIAL LIABILITIES**

₹ Lakhs

| Particulars | 31.03.2021 | 31.03.2020 |
|---|---|---|
| Derivative Liability - at FVTPL | - | 415.44 |
| Lease Liability (Refer Note no: 48) | **193.62** | 285.13 |
| | **193.62** | 700.57 |

## 18. PROVISIONS

₹ Lakhs

| Particulars | 31.03.2021 | 31.03.2020 |
|---|---|---|
| Provision for expenses | **1,093.37** | 1,093.37 |
| Provision for employee benefits: | | |
| Gratuity (Refer note no. 35) | **853.63** | 706.58 |
| | **1,947.00** | **1,799.95** |

**Movement in provision for expenses**

₹ Lakhs

| Particulars | 31.03.2021 | 31.03.2020 |
|---|---|---|
| Opening | **1,093.37** | 1,059.44 |
| Additions | **-** | 33.93 |
| Reversal | **-** | - |
| **Closing** | **1,093.37** | **1,093.37** |

## 19. OTHER NON-CURRENT LIABILITIES

₹ Lakhs

| Particulars | 31.03.2021 | 31.03.2020 |
|---|---|---|
| **Deferred Government Grant*** | **195.29** | 278.41 |
| | **195.29** | **278.41** |

* Represents grant received from the Government of Karnataka and treated as deferred income to be released to statement of profit and loss over the useful life of Property, Plant and Equipment against which such grant was received.

## 20. FINANCIAL LIABILITIES - BORROWINGS

₹ Lakhs

| Particulars | 31.03.2021 | 31.03.2020 |
|---|---|---|
| **Secured Loans - at amortised cost** | | |
| **Loans repayable on demand:** | | |
| From Banks | | |
| - Domestic Currency Loans | **6,279.16** | 7,510.10 |
| - Foreign Currency Loan | **8,908.52** | 8,222.22 |
| **Unsecured Loans at amortised cost** | | |
| **Loans repayable on demand:** | | |
| From Banks | | |
| - Domestic Currency Loans | **482.33** | 612.84 |
| From Others | | |
| - Loan from related party ( Refer note no. 47) | **1,000.00** | 1,000.00 |
| - Others | **250.00** | **-** |
| | **16,920.01** | **17,345.16** |

1 Working capital loan from banks are secured by pari passu first charge on all the current assets of the Company and pari passu second charge on entire immovable assets of the Company and are repayable on demand.

2 In respect of the above, working capital rupee loans carry interest ranging from 8.35 % p.a. to 13.35% p.a. and working capital foreign currency loans carry interest ranging from 2.21 % p.a. to 3.50 % p.a. plus applicable LIBOR.

3 Unsecured loan from banks carries interest @ 9.40% p.a. and is repayable on demand.

4 Loan from related party have been obtained pursuant to stipulations from IndusInd Bank vide letter dated 9th December 2019. It carries an interest rate of 12.50% p.a.

5 Unsecured loan from others represents inter corporate loan and it carries interest @ 14% p.a. and is repayable on demand.

## 21. FINANCIAL LIABILITIES -TRADE PAYABLES

₹ Lakhs

| Particulars | 31.03.2021 | 31.03.2020 |
|---|---|---|
| **Trade payables** | | |
| - Total outstanding dues of Micro and Small Enterprises (Refer note no. 43) | **118.45** | 85.54 |
| - Total outstanding dues of creditors other than Micro and Small Enterprises | **2,782.69** | 4,446.68 |
| | **2,901.14** | **4,532.22** |

The Company's exposure to Foreign currency risk and liquidity risk in relation to Trade Payables is disclosed in note no. 39.

## 22. OTHER FINANCIAL LIABILITIES

₹ Lakhs

| Particulars | 31.03.2021 | 31.03.2020 |
|---|---|---|
| Current maturities of long-term debt (Refer note no. 16) | **5,252.53** | 1,197.25 |
| Interest accrued but not due on borrowings | **6.60** | 63.97 |
| Unpaid dividends | **4.91** | 6.68 |
| Accrued Employee benefits | **741.35** | 688.30 |
| Lease Liability ( Refer note no. 48) | **91.50** | 83.15 |
| Derivative liability - at FVTPL | **186.95** | 33.46 |
| Others * | **2,033.92** | 2,335.52 |
| | **8,317.76** | **4,408.33** |

* Other Payables includes creditors for capital goods, creditors for expenses and outstanding expenses.

## 23. OTHER CURRENT LIABILITIES

₹ Lakhs

| Particulars | 31.03.2021 | 31.03.2020 |
|---|---|---|
| Statutory Liabilities | **557.50** | 406.24 |
| Advance from Customers | **234.38** | 139.45 |
| Deferred Government Grant - (Refer note no. 19) | **83.14** | 83.14 |
| Others | **2.66** | 2.84 |
| | **877.68** | **631.67** |

## 24. CURRENT LIABILITIES - PROVISIONS

₹ Lakhs

| Particulars | 31.03.2021 | 31.03.2020 |
|---|---|---|
| Provision for employee benefits - Gratuity - (Refer note no. 35) | **224.73** | 180.46 |
| | **224.73** | **180.46** |

## 25. REVENUE FROM OPERATIONS

₹ Lakhs

| Particulars | 2020 - 21 | 2019 - 20 |
|---|---|---|
| **Sale of Products - Manufactured Goods** | | |
| Sale of Yarn | **50,270.37** | 57,192.52 |
| Sale of Technical Textile products | **13,887.05** | 11,908.43 |
| **Sale of Products - Traded Goods** | | |
| Sale of Yarn | **79.14** | 540.96 |
| Total (A) | **64,236.56** | **69,641.91** |
| **Other operating revenue** | | |
| Scrap Sales | **1,913.79** | 2,662.11 |
| Export Incentive | **313.75** | 256.66 |
| Others* | **49.73** | 50.91 |
| Total (B) | **2,277.27** | **2,969.68** |
| Total (A+B) | **66,513.83** | **72,611.59** |

* Others include packing charges collected.

## 26. OTHER INCOME

₹ Lakhs

| Particulars | 2020 - 21 | 2019 - 20 |
|---|---|---|
| Interest Income from financial assets at amortised cost | **154.48** | 255.03 |
| Net gain on disposal of property, plant and equipment | **74.86** | 86.73 |
| Insurance claim receipts | **60.40** | 11.04 |
| Gains on exchange fluctuations (net) (Refer note no. 46) | **187.14** | - |
| Government grant - (Refer note no. 19 & 23 ) | **83.14** | 83.14 |
| Miscellaneous Income | **10.15** | 629.44 |
| | **570.17** | **1,065.38** |

Miscellaneous income for the previous year 2019 - 20 includes an amount of ₹ 626.54 Lakhs, being the provision for interest liability reversed consequent to settlement of pending litigation under the Sabka Viswas (Legacy dispute resolution scheme) 2019.

## 27. COST OF MATERIALS CONSUMED

₹ Lakhs

| Particulars | 2020 - 21 | 2019 - 20 |
|---|---|---|
| Cotton | **34,052.11** | 41,518.77 |
| | **34,052.11** | **41,518.77** |

| Particulars of Materials consumed | 2020 - 21 | | 2019 - 20 | |
|---|---|---|---|---|
| | **% of Consumption** | **₹ Lakhs** | % of Consumption | **₹ Lakhs** |
| Imported | **13.87** | **4,721.52** | 23.09 | 9,586.86 |
| Indigenous | **86.13** | **29,330.59** | 76.91 | 31,931.91 |
| | **100.00** | **34,052.11** | **100.00** | **41,518.77** |

## 28. CHANGES IN INVENTORIES OF FINISHED GOODS, STOCK IN TRADE AND WORK-IN-PROGRESS

₹ Lakhs

| Particulars | | 2020 - 21 | 2019 - 20 |
|---|---|---|---|
| **Inventory at the end of the year** | | | |
| **Work in Progress and Waste Cotton** | | | |
| Yarn | | **1,198.41** | 1,071.17 |
| Technical Textile products | | **476.24** | 213.67 |
| | **a** | **1,674.65** | **1,284.84** |
| **Finished Goods** | | | |
| Yarn | | **1,299.84** | 3,389.29 |
| Technical Textile products | | **237.07** | 263.19 |
| Traded Goods | | **-** | - |
| | **b** | **1,536.91** | **3,652.48** |
| **Total** | **c = a+b** | **3,211.56** | **4,937.32** |
| **Inventory at the beginning of the year** | | | |
| **Work in Progress and Waste Cotton** | | | |
| Yarn | | **1,071.17** | 1,212.49 |
| Technical Textile products | | **213.67** | 617.77 |
| | **a** | **1,284.84** | **1,830.26** |
| **Finished Goods** | | | |
| Yarn | | **3,389.29** | 3,837.82 |
| Technical Textile products | | **263.19** | 284.40 |
| Traded Goods | | - | 0.03 |
| | **b** | **3,652.48** | **4,122.25** |
| **Total** | **d = a + b** | **4,937.32** | **5,952.51** |
| **(Increase) / decrease in Inventories** | **d-c** | **1,725.76** | **1,015.19** |

## 29. EMPLOYEE BENEFITS EXPENSE

₹ Lakhs

| Particulars | 2020 - 21 | 2019 - 20 |
|---|---|---|
| Salaries, Wages and Bonus | **6,506.11** | 6,367.26 |
| Contributions to Provident fund and other funds | **470.17** | 514.75 |
| Staff welfare expenses | **381.61** | 282.04 |
| | **7,357.89** | **7,164.05** |

## 30. FINANCE COST

₹ Lakhs

| Particulars | 2020 - 21 | 2019 - 20 |
|---|---|---|
| Interest expense | **2,857.26** | 3,265.10 |
| Unwinding of interest on financial liabilities | **167.30** | 187.77 |
| Exchange differences regarded as an adjustment to borrowing cost | **-** | 286.58 |
| Other borrowing costs | **247.50** | 179.28 |
| | **3,272.06** | **3,918.73** |

Other borrowing costs represents processing fee in respect of working capital borrowings.

## 31. DEPRECIATION AND AMORTIZATION

₹ Lakhs

| Particulars | 2020 - 21 | 2019 - 20 |
|---|---|---|
| Depreciation on Property Plant & Equipment - Refer note no: 2 | **3,180.94** | 3,204.78 |
| Depreciation on Right of Use assets - Refer note no: 3(a) | **127.78** | 54.93 |
| Amortization of Intangible asset - Refer note no: 3(c) | **8.50** | 14.12 |
| | **3,317.22** | **3,273.83** |

## 32. OTHER EXPENSES

₹ Lakhs

| Particulars | 2020 - 21 | 2019 -20 |
|---|---|---|
| Consumption of Stores & Spare parts | **2,685.11** | 2,718.14 |
| Power & Fuel (Net) (Refer note no: 42 ) | **5,712.36** | 7,987.78 |
| Processing Charges | **67.79** | 37.53 |
| Repairs | | |
| Building | **318.10** | 207.02 |
| Machinery | **1,830.61** | 2,879.27 |
| Others | **133.47** | 157.30 |
| Rent | **31.09** | 25.61 |
| Rates and Taxes | **50.05** | 57.86 |
| Foreign Exchange loss (net) (Refer note no. : 46) | **-** | 103.78 |
| Selling & Distribution expenses | **2,302.17** | 2,619.95 |
| Bank Charges | **97.65** | 106.75 |
| Communication Expenses | **53.52** | 55.50 |
| Travelling Expenses | **26.57** | 148.67 |
| Professional Charges | **119.12** | 138.16 |
| Auditor's Remuneration (Refer note: 32 (A)) | **16.24** | 16.42 |
| Provision for Expected Credit Loss (Net) | **239.66** | (4.42) |
| Bad debts written off | **-** | 22.70 |
| Irrecoverable Advances Written Off | **22.44** | - |
| Provision for doubtful advances (Net) | **(24.49)** | 30.58 |
| Miscellaneous Expenses | **305.90** | 297.87 |
| | **13,987.36** | **17,606.47** |

**32 (A) Payments to the auditor as**

₹ Lakhs

| Particulars | 31.03.2021 | 31.03.2020 |
|---|---|---|
| (a) Auditor | **10.50** | 10.50 |
| (b) Taxation matters | **2.00** | 2.35 |
| (c) Other services | **3.00** | 2.68 |
| (d) For reimbursement of expenses | **0.74** | 0.89 |
| | **16.24** | **16.42** |

**33. UNRECOGNISED DEFERRED TAX ASSET**

Deferred tax asset has not been recognised since it is not probable that future taxable profits will be available against which the company can use the benefits thereon.

₹ Lakhs

| Particulars | 31.03.2021 | 31.03.2020 |
|---|---|---|
| Tax losses carried forward | **2508.95** | 8970.21 |

**34. EARNINGS PER SHARE**

₹ Lakhs

| Particulars | 31.03.2021 | 31.03.2020 |
|---|---|---|
| Net Profit / (Loss) after tax as per Statement of Profit and Loss attributable to Equity Shareholders | **3,294.77** | (1,652.21) |
| Weighted Average number of equity shares used as denominator for calculating EPS | **1,20,00,000** | 1,20,00,000 |
| Basic & Diluted Profit / Loss per share (in ₹) | **27.46** | (13.77) |
| Face Value per equity share (in ₹) | **10.00** | 10.00 |

**35 Employee Benefit Plans**

**(a) Defined contribution plans - Provident Fund**

In accordance with The Employees Provident Funds Act, 1952 employees are entitled to receive benefits under the provident fund. Both the employee and the employer make monthly contributions to the plan at a predetermined rate (12% for fiscal year 2021 and 2020) of an employee's basic salary. All employees have an option to make additional voluntary contributions. These contributions are made to the fund administered and managed by the Government of India (GOI). The Company has no further obligations under the fund managed by the GOI beyond its monthly contributions which are charged to the statement of profit and loss in the period they are incurred.

The expense recognised during the period towards this defined contribution plan is ₹ 270.31 Lakhs (March 31, 2020 – ₹ 310.29 Lakhs).

**(b) Defined contribution plans - Employee State Insurance**

"In accordance with Employees' State Insurance Act, 1948, the eligible employees are entitled to receive benefits under the ESI Scheme. The employer contributes 3.25 percent and employee contributes 0.75 percent, total share 4 percent. This fund is managed by the ESI Corporation (ESIC) according to rules and regulations stipulated there in the ESI Act 1948, which oversees the provision of medical and cash benefits to the employees and their family. The Company has no further obligations under the fund managed by the GOI beyond its monthly contributions which are charged to the statement of profit and loss in the period they are incurred.The expense recognised during the period towards this defined contribution plan is ₹ 64.16 Lakhs (March 31, 2020 – ₹ 90.47 Lakhs)."

**(c) Defined Benefit Plans - Gratuity**

The company has defined benefit gratuity plan for its employees, which requires contributions to be made to a separately administered fund. It is governed by the Payment of Gratuity Act, 1972. The plan provides for a lump-sum payment to vested employees at retirement, death, while in employment or on termination of employment of an amount equivalent to 26 days salary payable for each completed year of service. Under the Act, employee who has completed five years of service is entitled to specific benefit. The level of benefits provided depends on the member's length of service and salary at retirement age. The fund has the form of a trust and it is governed by the Board of Trustees. The Board of Trustees is responsible for the administration of the plan assets including investment of the funds in accordance with the norms prescribed by the Government of India.

Each year, the Board of Trustees and the Company review the level of funding in the India gratuity plan. Such a review includes the asset-liability matching strategy and assessment of the investment risk. The Company decides its contribution based on the results of this annual review. The most recent actuarial valuation of the plan assets and the present value of the defined benefit obligation were carried out at 31 March 2021 by Mr. Srinivasan Nagasubramanian, Armstrong International Employee Benefits Solution, Fellow of the Institute of Actuaries of India . Company's liability towards gratuity (funded) is actuarially determined at each reporting date using the projected unit credit method.

**(i) Risk Exposure:**

These plans typically expose the Company to actuarial risks such as: investment risk, interest rate risk, longevity risk and salary risk.

| | |
|---|---|
| **Investment risk** | The present value of the defined benefit plan liability is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the plan's liability. |
| **Interest risk** | A decrease in the bond interest rate will increase the plan liability; however, this will be partially offset by an increase in the return on the plan's debt investments. |
| **Longevity risk** | The present value of the defined benefit plan liability is calculated by reference to the best estimate of the mortality of plan participants both during and after their employment. An increase in the life expectancy of the plan participants will increase the plan's liability. |
| **Salary risk** | The present value of the defined benefit plan liability is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the plan's liability. |

**(ii) Expense Recognised in Income Statement:**

₹ Lakhs

| A | Components of Employer expense | 31.03.2021 | 31.03.2020 |
|---|---|---|---|
| | **Service Cost** | | |
| 1 | Current service Cost | **82.08** | 62.32 |
| 2 | Past service cost - Plan Amendment | **-** | - |
| 3 | Curtailement Cost/(Credit) | **-** | - |
| 4 | Settlement Cost/(Credit) | **-** | - |
| 5 | Total Service Cost | **82.08** | 62.32 |
| | **Net Interest Cost** | | |
| 6 | Interest Expense on DBO | **71.39** | 74.61 |
| 7 | Interest (Income on Plan Asset) | **(17.77)** | (31.27) |
| 8 | Interest income on reimbursement rights | **-** | - |
| 9 | Interest expense on effect of (asset ceiling) | **-** | - |
| **10** | **Total Net Interest** | **53.62** | 43.34 |
| 11 | Immediate Recognition of (Gain)/Losses- Other Long Term Benefits | **-** | - |
| 12 | Cost of Termination Benefits | | |
| 13 | Administrative Expenses and Taxes | | |
| **14** | **"Defined Benefits cost includedin P&L"** | **135.70** | 105.66 |
| | Actuarial (Gain) / Losses due to Demographic Assumption changes in DBO | **-** | (6.52) |
| | Actuarial (Gain) / Losses due to Financial Assumption changes in DBO | **164.00** | (146.81) |
| | Actuarial (Gain)/ Losses due to Experience on DBO | **53.55** | 254.85 |
| | Return on Plan Assets (Greater) / Less than Disount rate | **(81.94)** | 50.20 |
| | Return on reimbursement rights (excluding interest income) | **-** | - |
| | "Changes in asset ceiling /onerous liability (excluding interest Income)" | **-** | - |
| | **Total actuarial (gain)/loss included in OCI** | **135.61** | **151.72** |
| | **Total cost recognised in P&L and OCI (Defined Benefit Cost)** | | |
| | Cost Recognised in P&L | **135.70** | 105.66 |
| | Remeasurement Effect Recognised in OCI | **135.61** | 151.72 |
| | **Total Defined Benefit Cost** | **271.31** | **257.38** |

**Net Asset/(Liability) Recognised in Balance Sheet on**

₹ Lakhs

| **Particulars** | **31.03.2021** | **31.03.2020** |
|---|---|---|
| Present value of DBO at the beginning | 1,203.75 | 1,219.54 |
| Current Service Cost | 82.08 | 62.32 |
| Interest Cost | 71.39 | 74.61 |
| Benefit payments from plan | (151.92) | (254.24) |
| Actuarial (Gains)/Loss | 217.55 | 101.52 |
| Present Value Of DBO at the ending period | **1,422.85** | **1,203.75** |

**(iii) Reconciliation of Opening & Closing of Plan Assets (Ind AS 19 Para 120 (e) (i) to (viii)**

₹ Lakhs

| Particulars | 31.03.2021 | 31.03.2020 |
|---|---|---|
| Fair Value of Plan Assets at the beginning | 316.72 | 579.89 |
| Interest income of assets | 17.77 | 31.27 |
| Total employer contributions | 80.00 | 10.00 |
| Benefits Payouts from plan | (151.92) | (254.24) |
| Actuarial gain/(Loss) | 81.94 | (50.20) |
| Fair Value of assets at the End | **344.51** | **316.72** |
| Actual Return on Plan Assets | **99.71** | **(18.93)** |

₹ Lakhs

| **Net Asset/(Liability) Recognised in Balance Sheet** | **31.03.2021** | **31.03.2020** |
|---|---|---|
| Present value of Benefit Obligation | **1,422.85** | 1,203.75 |
| Fair Value of Plan Assets | **344.51** | 316.72 |
| Funded status [Surplus/(Deficit)] | **(1,078.34)** | (887.03) |
| Unrecognised Past Service Costs | **-** | - |
| **Net Assets/(Liability) Recognised in balance sheet** | **(1,078.34)** | **(887.03)** |

₹ Lakhs

| **Amounts Recognized in Other Comprehensive Income** | **31.03.2021** | **31.03.2020** |
|---|---|---|
| Opening cumulative other comprehensive Income | **119.11** | (32.61) |
| Actuarial Loss / (Gain) On Defined Benefit Obligation | **217.55** | 101.52 |
| Actuarial Loss /( Gain) On Assets | **(81.94)** | 50.20 |
| Amortization Actuarial Loss /(Gain) | **-** | - |
| Net increase in OCI | **135.61** | 151.72 |
| Amortization Of Prior Service Cost | **-** | - |
| **Total Recognised In Other Comprehensive Income** | **254.72** | **119.11** |

**The principal assumptions used in determining gratuity obligations for the Company's plans are shown below:**

| **Assumptions** | **31.03.2021** | **31.03.2020** |
|---|---|---|
| Discount rate | **6.33%** | 6.83% |
| Expected return on assets | **6.33%** | 6.83% |
| Salary Escalation | **3.00%** | 1.50% |
| Attrition Rate | **5.00%** | 5.00% |
| Mortality | **Indian Assured Lives Mortality (2012 - 14) Ultimate** | |

**Major Category of Plan Assets as a % of the Total Plan Assets**

| | **31.03.2021** | **31.03.2020** |
|---|---|---|
| HDFC GROUP Unit Linked Plan - option B | **100.00%** | 100.00% |

**The fair value of Mutual funds is determined based on quoted market prices in active markets. The employee benefit plans do not hold any securities issued by the Company.**

* In the absence of detailed information regarding plan assets which is funded with Insurance Companies, the composition of each major category of plan assets, the percentage or amount for each category to the fair value of plan assets has not been disclosed.

### (iv) Sensitivity analysis

Significant actuarial assumptions for the determination of the defined benefit obligation are discount rate and expected salary increase. The sensitivity analysis below have been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant.

| Particulars | 31.03.2021 | 31.03.2020 |
|---|---|---|
| Defined Benefit Obligation - Discount Rate + 100 basis points | **1,345.46** | 1,136.62 |
| Defined Benefit Obligation - Discount Rate - 100 basis points | **1,508.75** | 1,278.21 |
| Defined Benefit Obligation - Salary Escalation Rate + 100 basis points | **1,506.72** | 1,279.90 |
| Defined Benefit Obligation - Salary Escalation Rate - 100 basis points | **1,346.11** | 1,134.14 |
| Defined Benefit Obligation - Attrition Rate + 100 basis points | **1,436.18** | 1,226.07 |
| Defined Benefit Obligation - Attrition Rate - 100 basis points | **1,408.34** | 1,179.66 |
| Mortality rate 10% up | **1,423.30** | 1,204.68 |

### (v) Enterprise's Best Estimate of Contribution during Next Year

The Company expects to contribute ₹ 400 Lakhs (previous year ₹ 80 Lakhs) to its gratuity plan for the next year.

### vi) Experience adjustments

₹ Lakhs

| Particulars | Current Year | 2019-20 | 2018-19 | 2017-18 | 2016-17 |
|---|---|---|---|---|---|
| Defined Benefit Obligation | **1,422.85** | 1,203.75 | 1,219.54 | 1,339.83 | 1,261.91 |
| Plan Assets | **344.51** | 316.72 | 579.89 | 885.96 | 932.93 |
| Surplus / (Deficit) | **(1,078.34)** | (887.03) | (639.65) | (453.88) | (328.98)) |
| Experience Adjustments on Plan Liabilities – (Loss)/ Gain | **(53.55)** | (254.85) | 79.99 | (75.66) | (116.54) |
| Experience Adjustments on Plan Assets – Gain/(Loss) | **81.94** | (50.20) | 1.87 | 0.24 | 70.25 |

### 36. CATEGORY-WISE CLASSIFICATION OF FINANCIAL INSTRUMENTS

**The carrying value of financial instruments by categories as at 31st March 2021 were as follows:**

₹ Lakhs

| Particulars | Note | FVTPL | FVTOCI | Amortised Cost | Total Carrying Value |
|---|---|---|---|---|---|
| **Financial Assets:** | | | | | |
| Investments | **4** | - | 1,075.78 | 10.00 | 1,085.78 |
| Trade receivables | **8** | - | - | 10,197.56 | 10,197.56 |
| Cash and Cash equivalents | **9** | - | - | 109.38 | 109.38 |
| Other bank balance | **10** | - | - | 787.41 | 787.41 |
| Loans | **5 & 11** | - | - | 1,138.48 | 1,138.48 |
| Other Financial Assets | **12** | - | - | 47.49 | 47.49 |
| **Financial Liabilities:** | | | | | |
| Borrowings | **16 & 20** | - | - | 32,632.43 | 32,632.43 |
| Trade payables | **21** | - | - | 2,901.14 | 2,901.14 |
| Other Financial Liabilities excluding Current Maturities of long term debt | **17 & 22** | - | - | 3,258.85 | 3,258.85 |

**The carrying value of financial instruments by categories as at 31st March 2020 were as follows:** ₹ Lakhs

| Particulars | Note | FVTPL | FVTOCI | Amortised Cost | Total Carrying Value |
|---|---|---|---|---|---|
| **Financial Assets:** | | | | | |
| Investments | 4 | - | 1,089.26 | 10.00 | 1,099.26 |
| Trade receivables | 8 | - | - | 8,930.78 | 8,930.78 |
| Cash and Cash equivalents | 9 | - | - | 38.19 | 38.19 |
| Other bank balance | 10 | - | - | 764.04 | 764.04 |
| Loans | 5 & 11 | - | - | 882.63 | 882.63 |
| Other Financial Assets | 12 | - | - | 50.87 | 50.87 |
| **Financial Liabilities:** | | | | | |
| Borrowings | 16 & 20 | | | 30,807.80 | 30,807.80 |
| Trade payables | 21 | | | 4,532.22 | 4,532.22 |
| Other Financial Liabilities excluding Current Maturities of long term debt | 17 & 22 | | | 3,911.65 | 3,911.65 |

The management assessed that the fair value of cash and cash equivalents, trade receivables, loans,other financial assets, trade payables and other financial liabilities approximate the carrying amount largely due to short-term maturity of these instruments. The fair value of the financial assets and liabilities is included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

Investments in subsidiaries are carried at cost.

## 37. FAIR VALUE MEASUREMENT

### (a) Fair value hierarchy

Fair value of the financial instruments is classified in various fair value hierarchies based on the following three levels:

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

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).

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

### (b) Level wise disclosure of financial instruments:

₹ Lakhs

| Particulars | As at 31st Mar 2021 | | | | As at 31st Mar 2020 | | | |
|---|---|---|---|---|---|---|---|---|
| | Carrying Amt | Level 1 | Level 2 | Level 3 | Carrying Amt | Level 1 | Level 2 | Level 3 |
| **Financial assets measured at fair value through other comprehensive income (FVTOCI)** | | | | | | | | |
| Trade Investments in unquoted equity shares | **1,075.78** | | | **1,075.78** | | 1,089.26 | | 1,089.26 |
| **Financial assets measured at amortised cost** | | | | | | | | |
| Other Investments | **10.00** | | | **10.00** | | 10.00 | | 10.00 |
| Trade receivables | **10,197.56** | | | **-** | | 8,930.78 | | - |
| Cash and Cash equivalents | **109.38** | | | **-** | | 38.19 | | - |
| Other bank balance | **787.41** | | | **-** | | 764.04 | | - |
| Loans | **1,138.48** | | | **-** | | 882.63 | | - |
| Other Financial Assets | **47.49** | | | **-** | | 50.87 | | - |
| **Financial liabilities measured at amortised cost** | | | | | | | | |
| Borrowings | **32,632.43** | | | **-** | | 30,807.80 | | - |
| Trade payables | **2,901.14** | | | **-** | | 4,532.22 | | - |
| Other Financial Liabilities excluding Current Maturities of long term debt | **3,258.85** | | | **-** | | 3,911.65 | | - |

The Company has not disclosed the fair values for short term / current financial instruments (such as short term trade receivables, short term trade payables, Current Loans and Short term borrowings etc.,) because their carrying amounts are a reasonable approximation of Fair value.

**(c) Measurement of fair values:**

The basis of measurement in respect of each class of financial assets and liabilities are disclosed in significant accounting policies.

## 38. CAPITAL MANAGEMENT:

The Company's capital management strategy is to effectively determine, raise and deploy capital so as to create value for its shareholders. The same is done through a mix of either equity and/or preference and/or convertible and/or combination of short term /long term debt as may be appropriate.

The Company determines the amount of capital required on the basis of its product, capital expenditure, operations and strategic investment plans. The same is funded through a combination of capital sources be it either equity and/or preference and/or convertible and/or combination of short term/long term debt as may be appropriate.

The Company regularly considers other financing and refinancing opportunities to diversify its debt profile, reduce interest cost and elongate the maturity of its debt portfolio, and closely monitors its judicious allocation amongst competing capital expansion projects and strategic acquisitions, to capture market opportunities at minimum risk.

The Company monitors its capital using gearing ratio, which is net debt divided to total equity. Net debt includes, interest bearing loans and borrowings less cash and cash equivalents, Bank balances other than cash and cash equivalents and current investments.

**The following table summarizes the capital of the company** ₹ Lakhs

| Particulars | As at 31st March 2021 | As at 31st March 2020 |
|---|---|---|
| Cash and cash equivalents | **109.38** | 38.19 |
| Other bank balances | **787.41** | 764.04 |
| **Total cash (a)** | **896.79** | **802.23** |
| Non-current borrowings | **10,459.89** | 12,265.39 |
| Current borrowings | **16,920.01** | 17,345.16 |
| Current maturities of non-current borrowings | **5,252.53** | 1,197.25 |
| **Total borrowings (b)** | **32,632.43** | **30,807.80** |
| **Net debt c=(b-a)** | **31,735.64** | **30,005.57** |
| **Total equity (d)** | **31,821.59** | **28,675.91** |
| Gearing ratio (c/d) | **1.00** | **1.05** |

## 39. FINANCIAL RISK MANAGEMENT - OBJECTIVES AND POLICIES

The Company’s financial liabilities comprise mainly of borrowings, trade payables and other payables. The Company’s financial assets comprise mainly of investments, cash and cash equivalents, other balances with banks, loans, trade receivables and other receivables.

In course of its business, the Company is exposed to certain financial risks that could have significant influence on the Company’s business and operational / financial performance. These include market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

The Board of Directors reviews and approves risk management framework and policies for managing these risks and monitors suitable mitigating actions taken by the management to minimise potential adverse effects and achieve greater predictablity to earnings.

In line with the overall risk management framework and policies, the treasury function provides services to the business, monitors and manages through an analysis of the exposures by degree and magnitude of risks. The Company uses derivative financial instruments to hedge risk exposures in accordance with the Company’s policies as approved by the board of directors.

**1) Market Risk**

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risks: interest rate risk, currency risk and other price risk. Financial instruments affected by market risk includes borrowings, investments, trade payables, trade receivables, loans and derivative financial instruments.

**a) Interest Rate Risk**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to interest rate risk because funds are borrowed at both fixed and floating interest rates. Interest rate risk is measured by using the cash flow sensitivity for changes in variable interest rate. The borrowings of the Company are principally denominated in rupees and US dollars with a mix of fixed and floating rates of interest.

**The following table provides a break-up of the Company's fixed and floating rate borrowings:**

₹ Lakhs

| Particulars | As at 31st March 2021 | As at 31st March 2020 |
|---|---|---|
| Fixed rate borrowings | - | - |
| Floating rate borrowings | 32,632.43 | 30,807.80 |
| **Total borrowings** | **32,632.43** | **30,807.80** |
| Total Net borrowings | 32,632.43 | 30,807.80 |
| Add: Upfront fees | 373.29 | 566.59 |
| **Total borrowings** | **33,005.72** | **31,374.39** |

The sensitivity analyses below have been determined based on the exposure to interest rates for floating rate liabilities, assuming the amount of the liability outstanding at the year-end was outstanding for the whole year.If interest rates had been 100 basis points higher / lower and all other variables were held constant, the Company's profit for the year ended 31 March 2021 would decrease / increase by ₹ 330.06 Lakhs (for the year ended 31 March 2020: decrease / increase by ₹ 313.74 Lakhs). This is mainly attributable to the Company's exposure to interest rates on its variable rate borrowings.

**b) Foreign Currency Risk**

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate due to changes in foreign exchange rates. The Company enters into forward exchange contracts with average maturity of less than 6 month to hedge against its foreign currency exposures relating to the recognised underlying liabilities and firm commitments. The Company's policy is to hedge its exposures above predefined thresholds from recognised liabilities and firm commitments that fall due in 20-30 days. The Company does not enter into any derivative instruments for trading or speculative purposes.

At the time of borrowing decisions, appropriate sensitivity analysis is carried out for domestic borrowings vis-à-vis overseas borrowings. The carrying amounts of the Company's Unhedged monetary assets and monetary liabilities at the end of the reporting period are as follows:

₹ Lakhs

| Particulars | As at 31st March 2021 | | | As at 31st March 2020 | | |
|---|---|---|---|---|---|---|
| | USD | Euro | GBP/CHF | USD | Euro | GBP |
| Trade Receivables | 4,260.14 | 472.68 | 31.39 | 2,400.74 | 608.21 | 5.41 |
| Trade Payables | - | (3.17) | (5.51) | (490.55) | (7.92) | - |
| Packing Credit | (7,812.87) | (432.69) | (151.21) | (6,474.74) | (214.80) | (20.09) |
| Derivatives | - | (1,066.95) | - | - | (3,088.89) | - |
| **TOTAL** | **(3,552.73)** | **(1,030.13)** | **(125.33)** | **(4,564.55)** | **(2,703.40)** | **(14.68)** |

The carrying amounts of the Company's hedged monetary assets and monetary liabilities at the end of the reporting period are as follows:

| Particulars | As at 31st March 2021 | | | As at 31st March 2020 | | |
|---|---|---|---|---|---|---|
| | USD | Euro | GBP/ CHF | USD | Euro | GBP |
| Trade & Other Payables | **(948.72)** | - | - | - | - | - |
| Packing Credit | **(511.77)** | - | - | (1,512.60) | - | - |
| **Total** | **(1,460.49)** | | | **(1,512.60)** | | |

The below table demonstrates the sensitivity to a 5% increase or decrease in the respective currency against INR, with all other variables held constant. The sensitivity analysis is prepared on the net unhedged exposure of the Company as at the reporting date. 5% represents management's assessment of reasonably possible change in foreign exchange rate. A positive number below indicates an increase in profit or equity where INR strengthens 5% against the relevant currency. For a 5% weakening of INR against the relevant currency, there would be a comparable impact on profit or equity, and the balances below would be negative.

₹ Lakhs

| Change in Exchange Rate(+5% / -5%) | | Effect on PAT | |
|---|---|---|---|
| | | 2020-21 | 2019-20 |
| **USD** | +5% | **(177.64)** | (228.23) |
| | -5% | **177.64** | 228.23 |
| **EURO** | +5% | **(51.51)** | (135.17) |
| | -5% | **(51.51)** | 135.17 |
| **GBP/ CHF** | +5% | **(5.99)** | (0.73) |
| | -5% | **5.99** | 0.73 |

The forward exchange contracts entered into by the Company and outstanding are as under:

| As at | No. of Contracts | Type | USD Equivalent ₹ Lakhs | INR Equivalent (₹ in Lakhs) |
|---|---|---|---|---|
| **31-Mar-21** | **6** | **Buy** | **(19.28)** | **(1,409.44)** |
| | **3** | **Sell** | **7.00** | **511.77** |
| **31-Mar-20** | 26 | Buy | (20.00) | (1,512.60) |
| | | Sell | - | - |

**c) Commodity Price Risk**

The Company's revenue is exposed to the market risk of price fluctuations related to its raw material i.e., Cotton. Market forces generally determine prices for the cotton procured by the Company. These prices may be influenced by factors such as supply and demand, production costs (including the costs of raw material inputs) and global and regional economic conditions and growth. Adverse changes in any of these factors may increase the Cost of Production that the Company incurs for manufacture of Yarn.

The following table details the Company's sensitivity to a 5% movement in the input price of Cotton. The sensitivity analysis includes only 5% change in commodity prices for quantity consumed during the year, with all other variables held constant. A positive number below indicates an increase in profit where the commodity prices reduces by 5%. For a 5% increase in commodity prices, there would be a comparable impact on profit, and the balances below would be negative.

₹ Lakhs

| Commodity | Increase | | Decrease | |
|---|---|---|---|---|
| | 2020-21 | 2019-20 | 2020-21 | 2019-20 |
| Cotton | **(1,706.45)** | (2,099.72) | **1,706.45** | 2,099.72 |

**2) Credit Risk**

Credit risk refers to risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. Credit risk arises primarily from financial assets such as trade receivables, investment in mutual funds, derivative financial instruments, other balances with banks, loans and other receivables. To manage the credit risk, the company periodically assesses the financial reliability of customers, taking into account the financial condition, current economic trends, and analysis of historical bad debts and ageing of account receivables. Individual risk limits are set accordingly.

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

The average credit period on sales of products is 21 to 70 days. However, it has been extended to 90 days due to the Global pandemic. Credit risk arising from trade receivables is managed in accordance with the Company's established policy, procedures and control relating to customer credit risk management. Credit quality of a customer is assessed based on a detailed study of credit worthiness and accordingly individual credit limits are defined/modified. The concentration of credit risk is limited due to the fact that the customer base is large.

₹ Lakhs

**Information about major customers**

Customers with more than 5% of the total value of trade receivables as at 31st March 2021 and 31st March 2020 are as follows:

| Particulars | No. of Parties | Amount Outstanding | Percent | No of Parties | Amount outstanding | Percent |
|---|---|---|---|---|---|---|
| **Customers** | | | | | | |
| - within India | 2 | 1672.78 | 15.94% | - | - | - |
| - Outside India | - | - | - | - | - | - |

**3) Liquidity Risk**

Liquidity risk is the risk that the Company will encounter difficulty in raising funds to meet commitments associated with financial instruments that are settled by delivering cash or another financial asset. Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value.

The Group's treasury department is responsible for maintenance of liquidity (including quasi liquidity), continuity of funding as well as timely settlement of debts. In addition, policies related to mitigation of risks are overseen by senior management. Management monitors the Group's net liquidity position on the basis of expected cash flows vis a vis debt service fulfillment obligation.The table below analysis derivative and non-derivative financial liabilities of the Company into relevant maturity groupings based on the remaining period from the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

₹ Lakhs

| Particulars | On demand | Less than 1 year | Between 1 to 5 years | Over 5 years | Total | Carrying value |
|---|---|---|---|---|---|---|
| **At 31st March, 2021** | | | | | | |
| Long term borrowings | | **5252.53** | **10,459.89** | **-** | **15,712.42** | **15,712.42** |
| Short term borrowings | **16,920.01** | **-** | **-** | **-** | **16,920.01** | **16,920.01** |
| Trade payables | **-** | **2,901.14** | **-** | **-** | **2,901.14** | **2,901.14** |
| Derivative financial liabilities | | **186.95** | **-** | **-** | **186.95** | **186.95** |
| Other financial liabilities | | **3,065.23** | **193.62** | **-** | **3,258.85** | **3,258.85** |
| **At 31st March, 2020** | | | | | | |
| Long term borrowings | - | 1,197.25 | 12,265.39 | - | 13,462.64 | 13,462.64 |
| Short term borrowings | 17,345.16 | - | - | - | 17,345.16 | 17,345.16 |
| Trade payables | - | 4,532.22 | - | - | 4,532.22 | 4,532.22 |
| Derivative financial liabilities | - | 33.46 | 415.44 | - | 448.90 | 448.90 |
| Other financial liabilities | - | 3,211.08 | 285.13 | - | 3,496.21 | 3,496.21 |

₹ Lakhs

| | As at 31st March 2021 | As at 31st March 2020 |
|---|---|---|
| **40.** Estimated amount of contracts remaining to be executed on capital account and not provided for | **44.11** | 36.24 |

**41. Contingent Liabilities:**

| **Contingent liabilities in respect of :** | **As at 31st March 2021** | **As at 31st March 2020** |
|---|---|---|
| Bills discounted | **873.11** | 639.23 |
| Guarantees | **219.21** | 219.21 |
| Letters of credit outstanding | **940.48** | 1,230.46 |
| **Contingent liabilities under litigation :** | | |
| Disputed Statutory Liabilities not provided for | **294.29** | 271.06 |
| Disputed Other Liabilities not provided for | **66.65** | 66.65 |

**42.** Power and Fuel is net of wind power income of ₹ 180.99 lakhs (PY ₹ 211.09 lakhs) representing power supplied to the grid against which equivalent consumption was made in house

**43. Disclosure relating to suppliers registered under Micro, Small and Medium Enterprise Development Act, 2006:**

₹ Lakhs

| Particulars | As at 31st March 2021 | As at 31st March 2020 |
|---|---|---|
| The principal amount and the interest due thereon remaining unpaid to any supplier as at the end of each accounting year included in: Principal amount due to micro, small and medium enterprises | **112.38** | 80.87 |
| Interest due on above | **6.07** | 4.67 |
| **Total** | **118.45** | **85.54** |
| The amount of interest paid by the buyer in terms of section 16 of the MSMED Act, 2006 along with the amounts of the payment made to the supplier beyond appointed day. | **-** | - |
| The amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointment day during the year) but without adding the interest specified under the MSMED Act, 2006. | **-** | - |
| The amount of interest accrued and remaining unpaid at the end of each accounting year. | **6.07** | 4.67 |
| The amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid for the purpose of disallowance as a deductible under section 23 of the MSMED Act, 2006. | **-** | - |
| The Company has disclosed the suppliers who have registered themselves under "Micro, Small and Medium Enterprises Development Act, 2006" to the extent they have identified on the basis of information available with the Company in respect of the registration status of its vendors. | | |

**44. Disclosure relating to the exchange gain / loss arising out on restatement of long term foreign currency monetary items.**

₹ Lakhs

| Particulars | 31.03.2021 | 31.03.2020 |
|---|---|---|
| a. Exchange difference capitalized during the year | **-** | - |
| b. Depreciation provision charged to Profit & Loss a/c thereon | **25.15** | 23.42 |
| c. Exchange difference pertaining to assets sold during the year | **-** | - |
| d. Remaining amount to be amortized* | **219.89** | 245.04 |

* The company amortizes only 95% of the value of its fixed assets.

**45. Corporate Social Responsibility:**

The average net profit of the immediately preceeding three financial years is negative, accordingly, the company is not mandated to spend any amount towards CSR activitities for the financial year 2020-21.

**46**. Foreign Exchange gain / (loss) (net) includes foreign exchange gain / (loss) arising out of restatement of foreign currency assets / liabilities / derivatives amounting to ₹. 288.77 lakhs (PY - ₹. (20.67 lakhs) )

**47.Related Party Disclosure :**

**List of related parties with whom transactions have taken place and their relationship**

| | | |
|---|---|---|
| Holding Co | : | Nil |
| Subsidiaries | : | Suprem Associates (Partnership firm) |
| Key Management Personnel (KMP) | : | Mr. Ashwin Chandran (Chairman and Managing Director), |
| | | Mr. Prashanth Chandran (Vice Chairman & Managing Director) |
| | | Mr.T.Kumar (Executive Director) |
| | | Mr.Sumanth Ramamurthi (Non Excecutive Director) |
| | | Mr.Jairam Varadaraj (Non Excecutive Director) |
| | | Mr.C.N.Srivatsan (Non Executive Director) |
| | | Mrs. R.Bhuvaneshwari (Non Executive Director) |
| | | Mr.P.Vijay Raghunath ((Non Executive Director) |

**Others**

| | |
|---|---|
| Relative of KMP | Mr.Sarath Chandran |
| Enterprise in which KMP has control | Ashwanth Primarius Enterprises. LLP |
| | Suprem Enterprises |

₹ Lakhs

| Nature of transactions | FY 2020 -21 | | | FY 2019 - 20 | | |
|---|---|---|---|---|---|---|
| | Subsidiaries | KMP | Others | Subsidiaries | KMP | Others |
| Remuneration paid | - | 210.72 | 0.56 | - | 232.90 | 0.12 |
| Commission paid | - | 120.45 | 29.44 | - | - | - |
| Sitting fees paid | - | 6.78 | - | - | 6.45 | |
| Interest paid | - | - | 125.00 | - | - | 35.45 |
| Royalty paid | - | - | 2.31 | - | - | - |
| Loans received | - | - | - | - | - | 1,000.00 |
| Amount payable | - | 120.45 | 1,030.04 | - | 24.43 | 1,000.00 |
| Amount receivable | 71.47 | - | - | 71.48 | - | - |

The remuneration to KMP does not include the provision made for gratuity as they are determined on an actuarial basis for the company as a whole.

## 48. Leases

The Company has adopted Ind AS 116 "Leases" on all lease contracts with effect from April 1,2019. The disclosures as required under the standard are given below:

**(i) The movement in lease liabilities is as follows:**

| Particulars | 31.03.2021 | 31.03.2020 |
|---|---|---|
| Balance at the beginning of the year | **368.28** | - |
| Addition on account of Ind AS 116 as at April 1, 2019 | **-** | - |
| Additions during the year | **-** | 387.85 |
| Reclassification from prepayment | **(4.55)** | - |
| Finance cost accrued during the year | **30.78** | 8.95 |
| Payment of lease liabilities | **(109.39)** | (28.52) |
| **Balance at the end of the year** | **285.12** | **368.28** |
| Current lease liabilities | **91.50** | 83.15 |
| Non-current lease liabilities | **193.62** | 285.13 |
| **Amount recognised in Statement of Profit & Loss** | | |
| Interest on lease liabilities | **30.78** | 8.95 |
| Depreciation on right-of-use assets | **127.78** | 54.93 |

**(ii) Details of the contractual maturities of lease liabilities on an undiscounted basis are as follows:**

| Particulars | 31.03.2021 | 31.03.2020 |
|---|---|---|
| Less than one year | **91.50** | 83.15 |
| One to five years | **193.62** | 285.13 |
| More than five years | **-** | - |
| Total | **285.12** | **368.28** |

**(iii) Detailed leasing arrangements:**

| Particulars | 31.03.2021 | 31.03.2020 |
|---|---|---|
| Expenses relating to short-term leases | **15.95** | 15.15 |
| Expenses relating to leases of low-value assets | **10.97** | 8.51 |

## 49. Operating Segments

The company is in the business of manufacturing textile products which are regularly reviewed by the Chief Financial Officer for assessment of company's performance and resource allocation.

The information relating to revenue from Cotton yarn and Technical Textile product sale and location of non current assets of its single reportable segment has been disclosed below:

**a) Revenue from Operations**

₹ Lakhs

| Particulars | As at 31st March 2021 | As at 31st March 2020 |
|---|---|---|
| Within India | **37,013.81** | 42,597.66 |
| Outside India | **27,222.75** | 27,044.25 |
| **Total** | **64,236.56** | **69,641.91** |

**b) Non current assets:**

All non current assets of the company are located in India.

**50. Disclosure as required under section 186(4) of the Companies Act, 2013**

Loans given and Guarantees given by the company: Nil (PY: Nil)

Investments made are given under the respective head.

**51. Disclosure as required under Regulation 34 (3) and 53(f) of Securities Exchange Board of India (Listing Obligation and Disclosure Requirements) Regulation, 2015.**

| Particulars | As at 31st March 2021 | Maximum balance outstanding during the year | Investment by the loanee in the shares of Parent Company |
|---|---|---|---|
| Loans and Advances in the nature of loans given to subsidiaries | - | - | - |

**52.** The Code on Social Security 2020 has been notified in the Official Gazette on 29th September 2020. the effective date from which the changes are applicable is yet to be notified and the rules are yet to be framed. Impact, if any, of the change will be assessed and accounted in the period in which the said code becomes effective and the rules framed thereunder are published.

**53.** The companies operations were adversely impacted with outbreak of Covid-19 pandemic during the first half of the financial year 2020-21. The situation is continuously evolving, the impact assessed may be different from the estimates made as at the date of approval of these financial statements. The management will continue to monitor the material changes arising due to the impact of this pandemic on financial and operational performance of the company and take necessary measures to address the situation.

**54.** The amounts and disclosures included in the financial statements of the previous year have been reclassified whenever necessary to conform to the current year's classification.

**55.** All figures are in lakhs unless otherwise stated and rounded off to the nearest two decimals.

Vide our report of even date attached
**For VKS Aiyer & Co**
Chartered Accountants
ICAI Firm Reg.No.: 000066S

For and on behalf of the Board of Directors

**Ashwin Chandran**
Chairman and Managing Director
(DIN : 00001884)

**A P Ramkumar**
Chief Financial Officer

**Prashanth Chandran**
Vice Chairman and Managing Director
(DIN : 01909559)

**S Kavitha**
Company Secretary
(FCS No. 8710)

**Kaushik Sidartha**
Partner
M.No. : 217964

Place : Coimbatore
Date : 10-June-2021

## INDEPENDENT AUDITOR'S REPORT

**To the Members of Precot Limited (formerly Precot Meridian Limited)**

**Report on the Consolidated Financial Statements**

### Opinion

We have audited the accompanying consolidated financial statements of **Precot Limited (formerly Precot Meridian Limited)** (hereinafter referred to as "the Holding Company") and its subsidiary (the Holding Company and its subsidiary together referred to as "the Group"), comprising of the Consolidated Balance Sheet as at March 31, 2021, the Consolidated Statement of Profit and Loss (including Other Comprehensive Income), the Consolidated Statement of Changes in Equity and the Consolidated Statement of Cash Flows for the year then ended, and notes to the consolidated financial statements including a summary of the significant accounting policies and other explanatory information (hereinafter referred to as "the consolidated financial statements").

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid consolidated financial statements give the information required by the Companies Act, 2013 ("the Act") in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India including the Indian Accounting Standards prescribed under section 133 of the Act read with the Companies (Indian Accounting Standards) Rules, 2015, as amended ("Ind AS"), of the consolidated state of affairs of the Group as at March 31, 2021, their consolidated profit (including other comprehensive income), their consolidated changes in equity and their consolidated cash flows for the year ended on that date

### Basis for Opinion

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

### Key Audit Matters

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

| Key Audit Matter | How our audit addressed the Key Audit Matter |
|---|---|
| Provisions for litigations and disclosure of contingent liabilities:<br><br>The Company is involved in litigations, both for and against the Company, comprising of tax matters, legal compliances and other disputes.<br><br>The Company assesses the need to make a provision or disclose a contingency on a case-to-case basis considering the underlying facts of each matter, in consultation with its legal advisors and lawyers. This involves a high level of management judgement and assumptions which impact the risk assessment and consequential provisioning and disclosure of contingencies in the financial statements.<br><br>This area is significant to our audit, since the completeness and accuracy of accounting and disclosures for contingencies is dependent on such management judgement and assumptions. | **Our audit procedures included the following:**<br><br>• We evaluated and tested the Company's processes and controls for monitoring of litigations, disputes, compliances and assessment thereof for determining the likely outcome.<br><br>• We reviewed the summary of the litigations prepared by the management and discussed the material cases to determine the Company's assessment of the likelihood and magnitude of any liability that may arise.<br><br>• We evaluated the legal opinion obtained by the Company and assessed the management's judgements and assumptions on such matters.<br><br>• We tested the adequacy of disclosures in the financial statements. |

| Key Audit Matter | How our audit addressed the Key Audit Matter |
|---|---|
| Trade receivables and expected credit loss<br><br>The trade receivables as at March 31, 2021 is ₹ 10,197.56 lakhs and provision for expected credit loss made during the year is ₹ 248.66 lakhs.<br><br>The Company measures expected credit loss on trade receivables based on significant management judgement and estimates.<br><br>We have considered assessment of expected credit loss for receivables as a key audit matter because of the significant management judgement involved in its estimation. | **Our audit procedures included the following:**<br>• Obtained an understanding of and assessed the design, implementation and operating effectiveness of key controls relating to collection monitoring process, credit control process and estimation of expected credit losses<br>• Tested the controls relating to classification of the receivable balances included in the receivables ageing report<br>• Reviewed the ageing, tested the validity of the receivables, discussed with the management as to the disputes, if any, with the customers, understood and evaluated the reason for delay in realisation of the receivables and possibility of realisation of the aged receivable .<br>• Assessed the methodology used by management to estimate the expected credit loss provision and its compliance with the relevant accounting standard.<br>• Assessed the reasonableness of estimate of expected credit loss .<br>• Assessed the adequacy of disclosures relating to trade receivables and related credit risk |

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

The Holding Company's Management and Board of Directors are responsible for the preparation of the other information. The other information comprises the information included in the Holding Company's Annual Report but does not include the consolidated financial statements and our auditor's report thereon.

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

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

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

**Management's and Board of Directors' Responsibilities for the Consolidated Financial Statements**

The Holding Company's Management and Board of Directors are responsible for the preparation and presentation of these consolidated financial statements in terms of the requirements of the Act that give a true and fair view of the consolidated financial position, consolidated financial performance (including other comprehensive income), consolidated changes in equity and consolidated cash flows of the Group in accordance with the accounting principles generally accepted in India, including Ind AS prescribed under section 133 of the Act, read with the Companies (Indian Accounting Standards) Rules, 2015, as amended. The respective Management and 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 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 Management and Directors of the Holding Company, as aforesaid.

In preparing the consolidated financial statements, the respective Management and 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.

The respective Board of Directors of the companies included in the Group are responsible for overseeing the financial reporting process of each company.

**Auditor's Responsibility for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Act, we are also responsible for expressing our opinion on the internal financial controls with reference to consolidated financial statements and the operating effectiveness of such controls based on our audit.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the Management and Board of Directors 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 appropriateness of this assumption. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the 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 the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit of financial information of such entities included in the consolidated financial statements of which we are the independent auditors. Our responsibilities in this regard is as described in "Other Matters" paragraph in this audit report.

Materiality is the magnitude of misstatements in the consolidated financial statements that, individually or in aggregate, makes it probable that the economic decisions of a reasonably knowledgeable user of the consolidated financial statements may be influenced. We consider quantitative materiality and qualitative factors in (i) planning the scope of our audit work and in evaluating the results of our work; and (ii) to evaluate the effect of any identified misstatements in the consolidated financial statements.

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

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

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

**Other Matters**

We did not audit the financial statements of the subsidiary, whose financial statements reflects total assets of ₹ 2421.57 lakhs and net assets of ₹ 2340 lakhs as at March 31, 2021, total revenues of ₹ NIL and net cash flows amounting to ₹ NIL for the year ended on that date, as considered in the consolidated financial statements. These financial statements are unaudited and have 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 this subsidiary, and our report in terms of section 143(3) of the Act, in so far as it relates to the aforesaid subsidiary, is based solely on such unaudited financial statements. In our opinion and according to the information and explanations given to us by the management, this financial statement is not material to the Group.

Our opinion on the consolidated financial statements and our report on Other Legal and Regulatory Requirements below, is not modified in respect of the same.

**Report on Other Legal and Regulatory Requirements**

A. As required by Section 143(3) of the Act, 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;

c. The Consolidated Balance Sheet, the Consolidated Statement of Profit and Loss (including Other Comprehensive Income), the Consolidated Statement of changes in Equity and the Consolidated Statement of Cash Flows 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 read with relevant rules issued thereunder;

e. On the basis of the written representations received from the directors and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2021 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 consolidated financial statements of the Group and the operating effectiveness of such controls, refer to our separate report in the **"Annexure";**

B. 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 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) Provision has been made in the consolidated financial statements, as required under the applicable law or accounting standards, for material foreseeable losses, if any, on long-term contracts including derivative contracts - Refer Note 17 and 22 to the consolidated financial statements;

(iii) There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Holding Company.

C. With respect to the other matters to be included in the Auditor's Report in accordance with the requirements of Section 197(16) of the Act, as amended;

In our opinion and to the best of our information and according to the explanations given to us by, the remuneration paid by the Holding Company to its directors during the year is in accordance with the provisions of section 197 of the Act.

**For VKS Aiyer & Co.,**
Chartered Accountants
ICAI Firm Registration No. 000066S

Place: Coimbatore
Date: 10th June 2021

**Kaushik Sidartha**
Partner
Membership No. 217964
UDIN: 21217964AAAACY4411

## ANNEXURE TO THE INDEPENDENT AUDITOR'S REPORT

**Report on the Internal Financial Controls with reference to the aforesaid Consolidated Financial Statements under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")**

**[Referred to under 'Report on Other Legal and Regulatory Requirements' in our Independent Auditor's Report of even date to the members of PRECOT LIMITED (formerly PRECOT MERIDIAN LIMITED) on the Consolidated Financial Statements for the year ended March 31, 2021]**

In conjunction with our audit of the consolidated financial statements of **Precot Limited (formerly Precot Meridian Limited)** (hereinafter referred to as “the Holding Company”) as of and for the year ended March 31, 2021, we have audited the internal financial controls with reference to consolidated financial statements of the Group, which are entities incorporated in India, as of that date.

### Management's Responsibility for Internal Financial Controls

The Holding Company's management and the Board of Directors are responsible for establishing and maintaining internal financial controls with reference to consolidated financial statements 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 entities' 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 internal financial controls with reference to consolidated 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 specified under section 143(10) of the Act to the extent applicable to an audit of internal financial controls. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls with reference to consolidated financial statements were 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 with reference to consolidated financial statements and their operating effectiveness.

Our audit of internal financial controls with reference to consolidated financial statements included obtaining an understanding of internal financial controls with reference to consolidated 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 consolidated 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 internal financial controls with reference to consolidated financial statements.

### Meaning of Internal Financial Controls with reference to Consolidated Financial Statements

A company's internal financial control with reference to consolidated financial statements is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control with reference to consolidated 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 consolidated financial statements.

**Inherent Limitations of Internal Financial Controls with reference to Consolidated Financial Statements**

Because of the inherent limitations of internal financial controls with reference to consolidated 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 consolidated financial statements to future periods are subject to the risk that the internal financial controls with reference to consolidated 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 Group, which are entities incorporated in India, have, in all material respects, adequate internal financial controls with reference to consolidated financial statements and such internal financial controls were operating effectively as at March 31, 2021, considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the ICAI.

**For VKS Aiyer & Co**
Chartered Accountants
ICAI Firm Registration No. 000066S

**Kaushik Sidartha**
Partner
Membership No. 217964
UDIN: 21217964AAAACY4411

Place: Coimbatore
Date: 10th June 2021

# CONSOLIDATED FINANCIAL STATEMENTS

₹ Lakhs

| | Particulars | Note No. | As at 31.03.2021 | As at 31.03.2020 |
|---|---|---|---|---|
| | **ASSETS** | | | |
| 1) | **Non-current Assets** | | | |
| | ( a ) Property, Plant and Equipment | 2 | **43,744.35** | 46,249.47 |
| | ( b ) Right of use Asset | 3 (a) | **591.19** | 723.52 |
| | ( c ) Capital work-in-progress | 3 (b) | **256.20** | 138.86 |
| | ( d ) Intangible assets | 3 (c) | **38.46** | 42.24 |
| | ( e ) Intangible assets under development | 3 (c) | **7.94** | - |
| | ( f ) Financial Assets | | | |
| | (i) Investments | 4 | **1,075.78** | 1,089.26 |
| | (ii) Loans | 5 | **989.45** | 754.84 |
| | ( g ) Other non-current assets | 6 | **460.06** | 186.75 |
| | **Total Non Current Assets** | | **47,163.43** | **49,184.94** |
| (2) | **Current assets** | | | |
| | ( a ) Inventories | 7 | **13,119.54** | 12,432.05 |
| | ( b ) Financial Assets | | | |
| | (i) Trade receivables | 8 | **10,197.56** | 8,930.78 |
| | (ii) Cash and cash equivalents | 9 | **109.55** | 38.37 |
| | (iii) Bank balances other than (ii) above | 10 | **787.41** | 764.04 |
| | (iv) Loans | 11 | **77.56** | 56.31 |
| | (v) Other Financial Assets | 12 | **47.49** | 50.87 |
| | ( c ) Other current assets | 13 | **4,696.27** | 1,700.81 |
| | **Total Current Assets** | | **29,035.38** | **23,973.23** |
| | **TOTAL ASSETS** | | **76,198.81** | **73,158.17** |
| | **EQUITY AND LIABILITIES** | | | |
| | **EQUITY** | | | |
| | ( a ) Equity Share capital | 14 | **1,200.00** | 1,200.00 |
| | ( b ) Other Equity | 15 | **32,961.59** | 29,815.91 |
| | **EQUITY ATTRIBUTABLE TO OWNERS OF PRECOT LTD** | | **34,161.59** | 31,015.91 |
| | **Non controlling Interests** | | **0.10** | 0.10 |
| | **Total Equity** | | **34,161.69** | **31,016.01** |
| | **LIABILITIES** | | | |
| (1) | **Non-current liabilities** | | | |
| | ( a ) Financial Liabilities | | | |
| | (i) Borrowings | 16 | **10,459.89** | 12,265.39 |
| | (ii) Other Financial Liabilities | 17 | **193.62** | 700.57 |
| | ( b ) Provisions | 18 | **1,947.00** | 1,799.95 |
| | ( c ) Other non-current liabilities | 19 | **195.29** | 278.41 |
| | **Total Non Current Liabilities** | | **12,795.80** | **15,044.32** |
| (2) | **Current liabilities** | | | |
| | ( a ) Financial Liabilities | | | |
| | (i) Borrowings | 20 | **16,920.01** | 17,345.16 |
| | (ii) Trade payables | 21 | | |
| | - Outstanding dues of Micro & Small Enterprises | | **118.45** | 85.54 |
| | - Outstanding dues of Creditors other than Micro & Small Enterprises" | | **2,782.69** | 4,446.68 |
| | (iii) Other Financial Liabilities | 22 | **8,317.76** | 4,408.33 |
| | ( b ) Other current liabilities | 23 | **877.68** | 631.67 |
| | ( c ) Provisions | 24 | **224.73** | 180.46 |
| | **Total Current Liabilities** | | **29,241.32** | **27,097.84** |
| | **TOTAL LIABILITIES** | | **42,037.12** | **42,142.16** |
| | **TOTAL EQUITY AND LIABILITIES** | | **76,198.81** | **73,158.17** |

Summary of Significant Accounting Policies and Notes form an integral part of the Financial Statements

Vide our report of even date attached
**For VKS Aiyer & Co**
Chartered Accountants
ICAI Firm Reg.No.: 000066S

**Kaushik Sidartha**
Partner
Membership No: 217964

Place : Coimbatore
Date : 10-June-2021

For and on behalf of the Board of Directors

**Ashwin Chandran**
Chairman and Managing Director
(DIN : 00001884)

**A P Ramkumar**
Chief Financial Officer

**Prashanth Chandran**
Vice Chairman and Managing Director
(DIN : 01909559)

**S Kavitha**
Company Secretary
(FCS No. 8710)

₹ Lakhs

| | Particulars | Note No. | For the year ended 31st Mar 2021 | For the year ended 31st Mar 2020 |
|---|---|---|---|---|
| I | Revenue From Operations | 25 | **66,513.83** | 72,611.59 |
| II | Other income | 26 | **570.17** | 1,065.38 |
| **III** | **Total Revenue (I+II)** | | **67,084.00** | **73676.97** |
| **IV** | **Expenses** | | | |
| | Cost of materials consumed | 27 | **34,052.11** | 41,518.77 |
| | Purchase of Stock-in-Trade | | **76.83** | 475.64 |
| | Changes in inventories of finished goods, Stock-in-Trade and work-in-progress | 28 | **1,725.76** | 1,015.19 |
| | Employee benefits expense | 29 | **7,357.89** | 7,164.05 |
| | Finance costs | 30 | **3,272.06** | 3,918.73 |
| | Depreciation and amortization expense | 31 | **3,317.22** | 3,273.83 |
| | Other expenses | 32 | **13,987.36** | 17,606.47 |
| | **Total Expenses (IV)** | | **63,789.23** | **74,972.68** |
| **V** | **Profit / (Loss) before exceptional items and Tax (III - IV)** | | **3,294.77** | **(1,295.71)** |
| **VI** | **Exceptional item** | | **-** | **-** |
| **VII** | **Profit / (Loss) before tax (V - VI)** | | **3,294.77** | **(1,295.71)** |
| **VIII** | **Tax expense:** | | | |
| | (1) Current tax | | **-** | - |
| | (2) Deferred tax | 33 | **-** | - |
| | (3) For earlier year | | **-** | 356.50 |
| **IX** | **Profit / (Loss) after Tax (VII - VIII)** | | **3,294.77** | **(1,652.21)** |
| **X** | **Other Comprehensive Income (OCI)** | | **-** | **-** |
| | **Items that will not be reclassified to profit or loss** | | | |
| | a) Remeasurement of the defined benefit plans | | **(135.61)** | (151.72) |
| | b) Gains / (Losses) on fair value of Equity instruments measured at fair value through OCI | | **(13.48)** | (746.05) |
| | Income tax relating to items that will not be reclassified to profit or loss | | **-** | - |
| | **Total Other Comprehensive Income (a+b+c)** | | **(149.09)** | **(897.77)** |
| **XI** | **Total Comprehensive Income for the year (IX + X)** | | **3,145.68** | **(2,549.98)** |
| XII | Earnings per equity share of face value of Rs.10/- each | | | |
| | - Basic and Diluted (In ₹) | 34 | **27.46** | (13.77) |

Summary of Significant Accounting Policies and Notes form an integral part of the Financial Statements

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**For VKS Aiyer & Co**
Chartered Accountants
ICAI Firm Reg.No.: 000066S

**Kaushik Sidartha**
Partner
Membership No: 217964

Place : Coimbatore
Date : 10-June-2021

For and on behalf of the Board of Directors

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Chief Financial Officer

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Vice Chairman and Managing Director
(DIN : 01909559)

**S Kavitha**
Company Secretary
(FCS No. 8710)

**Consolidated Statement of changes in equity for the year ended 31st March 2021**

**A. EQUITY SHARE CAPITAL**

| | ₹ Lakhs |
|---|---|
| Balance as on 1st April 2019 | 1,200.00 |
| Movement during the year 2019-20 | - |
| Balance as on 31st March 2020 | 1,200.00 |
| Movement during the year 2020-21 | - |
| **Balance as on 31st March 2021** | **1,200.00** |

**B. OTHER EQUITY**

₹ Lakhs

| Particulars | Reserves and Surplus | | | | | Items of other comprehensive Income | | Total |
|---|---|---|---|---|---|---|---|---|
| | Capital Reserve | Capital Redemption Reserve | Securities Premium | General Reserve | Retained Earnings | Equity instruments through other Comprehensive Income | Re-measurement of the defined benefit plans | |
| **Balance as at 31st March, 2019** | **48.19** | **355.00** | **2,736.46** | **11,796.41** | **14,574.84** | **2,822.39** | **32.60** | **32,365.89** |
| Profit / (Loss) for the year | | | | | (1,652.21) | | | (1,652.21) |
| Other Comprehensive Income for the year (net of tax) | | | | | | (746.05) | (151.72) | (897.77) |
| **Balance as at 31st March, 2020** | **48.19** | **355.00** | **2,736.46** | **11,796.41** | **12,922.63** | **2,076.34** | **(119.12)** | **29,815.91** |
| Profit / (Loss) for the year | | | | | 3,294.77 | | | 3,294.77 |
| Other Comprehensive Income for the year (net of tax) | | | | | | (13.48) | (135.61) | (149.09) |
| **Balance as at 31 March, 2021** | **48.19** | **355.00** | **2,736.46** | **11,796.41** | **16,217.40** | **2,062.86** | **(254.73)** | **32,961.59** |

Summary of Significant Accounting Policies and Notes form an integral part of the Financial Statements

Vide our report of even date attached
**For VKS Aiyer & Co**
Chartered Accountants
ICAI Firm Reg.No.: 000066S
**Kaushik Sidartha**
Partner
M.No. : 217964
Place : Coimbatore
Date : 10-June-2021

For and on behalf of the Board of Directors

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**Prashanth Chandran**
Vice Chairman and Managing Director
(DIN : 01909559)

**S Kavitha**
Company Secretary
(FCS No. 8710)

| Particulars | | For the year ended 31.03.2021 | | ₹ Lakhs For the year ended 31.03.2020 |
|---|---|---|---|---|
| **A. CASH FLOW FROM OPERATING ACTIVITIES** | | | | |
| **Net Profit /(Loss) before tax** | | **3294.77** | | **(1295.71)** |
| Adjustments for : | | | | |
| Depreciation and amortization expense | **3,317.22** | | 3,273.83 | |
| Interest income (including fair value change in financial instruments) | **(154.48)** | | (255.03) | |
| (Profit)/Loss on sale of Property,Plant and Equipment (net) | **(74.86)** | | (86.73) | |
| Unrealised foreign exchange loss/(gain) | **(288.77)** | | 20.67 | |
| Liabilities no more payable | **(6.98)** | | (626.54) | |
| Finance cost (including fair value change in financial instruments) | **3,272.06** | | 3,918.74 | |
| Allowance for credit loss (net) | **239.66** | | (4.42) | |
| Provision/(reversal) of doubtful advances | **(24.49)** | | 30.58 | |
| Bad debts written off | **-** | | 22.70 | |
| Irrecoverable advances written off | **22.44** | | - | |
| Other adjustments | **116.30** | | 131.26 | |
| | | **6,418.10** | | 6,425.06 |
| **Operating Profit before working capital changes** | | **9,712.87** | | **5,129.35** |
| Adjustments for : | | | | |
| (Increase) / Decrease in Inventories | **(687.49)** | | 842.80 | |
| (Increase) / Decrease in Trade Receivables | **(1,628.15)** | | (783.59) | |
| (Increase) / Decrease in Loans | **(255.85)** | | (102.20) | |
| (Increase) / Decrease in Other Assets | **(2,986.48)** | | 34.83 | |
| Increase / (Decrease) in Trade Payable | **(1,584.15)** | | 1,574.49 | |
| Increase / (Decrease) in Other Financial Liabilities | **(248.52)** | | 183.92 | |
| Increase / (Decrease) in Other Liabilities and Provisions | **301.75** | | (705.50) | |
| | | **(7,088.89)** | | **1,044.75** |
| **Cash generated from Operations** | | **2,623.98** | | 6,174.10 |
| Direct Taxes Refund / (Payable) | | **(23.43)** | | (41.06) |
| **Net Cash Flow from operating activities** | | **2,600.55** | | **6,133.04** |
| **B. CASH FLOW FROM INVESTING ACTIVITIES** | | | | |
| Purchase of Property, Plant and Equipment | **(891.56)** | | (1,017.98) | |
| Advance settled for purchase of Property, Plant and Equipment | **(254.36)** | | 8.38 | |
| Sale of Property, Plant and Equipment | **160.59** | | 2,862.53 | |
| Interest Received | **157.85** | | 259.26 | |
| **Net Cash flow from / (used in) Investing activities** | | **(827.48)** | | **2,112.19** |
| **C. CASH FLOW FROM FINANCING ACTIVITIES:-** | | | | |
| Unclaimed dividends paid | **(1.77)** | | 0.06 | |
| Interest Paid | **(3,298.64)** | | (3,257.61) | |
| Proceeds / (Repayment) of Long Term Borrowings | **2,054.84** | | (4,449.35) | |
| Repayment of lease liability | **(109.39)** | | (28.52) | |
| Proceeds / (Repayments) of Unsecured Loan | **119.49** | | (1,937.63) | |
| Proceeds / (Repayments) of loans repayable on demand | **(443.04)** | | 1,440.37 | |

₹ Lakhs

| Particulars | For the year ended 31.03.2021 | For the year ended 31.03.2020 |
|---|---|---|
| **Net Cash Flow used in Financing Activities** | **(1,678.51)** | **(8,232.68)** |
| Net Increase/Decrease in Cash and Cash Equivalent | **94.56** | 12.55 |
| Cash and Bank Balances as at 01.04.2020 and 01.04.2019 (Opening balance) | **802.40** | 789.86 |
| Less: Bank balances not considered as Cash and Cash Equivalents as per Indian Accounting Standard 7 | **787.41** | 764.04 |
| Cash and Cash Equivalents as at 31.03.2021 and 31.03.2020 (Closing balance) ( Refer note no.9) | **109.55** | 38.37 |

**Changes in liability arising from financing activities, disclosing changes arising from Cash and Non Cash Flow**

**As on 31.03.2021**

| Particulars | Non Current Borrowings (including current maturities) | Current Borrowings | Lease Liability |
|---|---|---|---|
| Opening Balance as at 01st April, 2020 | 13,462.64 | 17,345.16 | 368.28 |
| Cash Flows (Net) - Proceeds/(Repayment) | 2,054.84 | (323.54) | (109.39) |
| Additions during the year - Impact on account of Ind AS 116 | - | - | 26.23 |
| Other adjustments | (0.23) | (101.61) | - |
| Amortisation | 195.17 | - | - |
| **Closing Balance as at 31st March, 2021** | **15,712.42** | **16,920.01** | **285.12** |
| **As on 31.03.2020** | | | |
| Opening Balance as at 01st April, 2019 | 17,697.46 | 17,739.65 | - |
| Cash Flows (Net) - Proceeds/(Repayment) | (4,449.35) | (497.26) | (28.52) |
| Additions during the year - Impact on account of Ind AS 116 | - | - | 396.80 |
| Other adjustments | (9.25) | (102.77) | - |
| Amortisation | 223.78 | - | - |
| **Closing Balance as at 31st March, 2020** | **13,462.64** | **17,345.16** | **368.28** |

Summary of Significant accounting policies & Notes form an integral part of the financial statements

For and on behalf of the Board of Directors

Vide our report of even date attached
**For VKS Aiyer & Co**
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ICAI Firm Reg.No.: 000066S

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Partner
M.No. : 217964
Place : Coimbatore
Date : 10-June-2021

**Prashanth Chandran**
Vice Chairman and Managing Director
(DIN : 01909559)

**S Kavitha**
Company Secretary
(FCS No. 8710)

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2021**

**Note 1**

**a. Corporate Information:**

Precot Limited has been in the textile industry since 1962 and is engaged in manufacturing of yarn and technical textile product. It started its first production in 1964 with an initial capacity of 12,096 spindles at Kanjikode, Kerala. At present it has units in the four southern states of India viz., Tamil Nadu, Kerala, Andhra Pradesh and Karnataka with a total spinning capacity of 1,88,112 spindles. In 2013, the company has set up a Greenfield technical textile at Hassan in the State of Karnataka. The Subsidiary – Suprem Associates (Partnership Firm) does not have any operations. The Equity shares are listed on the National Stock Exchange of India Limited.

**b. Significant Accounting Policies**

**I. General Information and Statement of Compliance**

These consolidated financial statements have been prepared in accordance with the Indian Accounting Standards (hereinafter referred to as the 'Ind AS') as notified by Ministry of Corporate Affairs ('MCA') under Section 133 of the Companies Act, 2013 ('the Act') read with the Companies (Indian Accounting Standards) Rules, 2015, as amended and other relevant provisions of the Act.

The consolidated financial statements were authorized and approved for issue by the Board of Directors on 10th June 2021.

**II Basis of Preparation and Presentation**

The consolidated financial statements have been prepared on going concern basis in accordance with accounting principles generally accepted in India. The presentation of financial statement is based on Ind AS Schedule III of the Companies Act, 2013.

The consolidated Financial Statements have been prepared & presented on the historical convention and on accrual basis , except for the following material items in the Balance Sheet:

- Financial assets are measured either at fair value or at amortised cost depending on their classification;
- Derivative instruments are measured at their fair values;
- Employee defined benefit assets/ liabilities are recognised as the net total of fair value of plan assets, adjusted for actuarial gains/losses and the present value of defined benefit obligations;
- Long term borrowings are measured at amortised cost using the effective interest rate method;
- Assets held for sale are measured at fair value less cost to sell;
- Right-of-use of Assets are recognised at the present value of lease payments that are not paid as on that date. This amount is adjusted for any lease payments made at or before the commencement of the lease and initial direct cost incurred, if any.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

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 takes 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 these financial statements is determined on such a basis and measurements that have some similarities to fair value but are not fair value, such as net realisable value in Ind AS 2 or value in use in Ind AS 36.

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 measurements 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 entity 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.

**Principles of Consolidation**

The Consolidated financial statements comprise the financial statements of the Company and its subsidiary as at 31st March 2021. Control is achieved when the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Company controls an investee if and only if the Company has:

- power over the investee
- is exposed to, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns

Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and when the Company has less than majority of the voting or similar rights of an investee, the Company considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- the contractual agreement with the other vote holders of the investee
- right arising from other contractual agreement
- the company's voting rights and potential voting rights

The company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above. Consolidation of a subsidiary begins when the company obtains control over the Subsidiary and ceases when the company loses control over the Subsidiary. Assets, liabilities, Income and Expenditure of a Subsidiary acquired or disposed o during the year are included in Consolidated Financial Statements from the date the Groups gains control until the date the Company ceases to control the subsidiary.

Profit or Loss and each component of Other Comprehensive Income (OCI) are attributed to the Equity holders of the Parent of the Group and to the non-controlling interest, even if this results in non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiary to bring their accounting policies in line with the Group's Accounting Policies. All intra-group assets and liabilities, Equity, Income, Expenses and Cash Flow relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it

- derecognizes the assets (including Goodwill) and liability of the subsidiary;
- derecognizes the carrying amount of any non-controlling interest;
- derecognizes the cumulative translation di erence recorded in equity
- recognizes the fair value of the consideration received
- recognizes the fair value of any investments retained
- recognizes any surplus or deficit in Profit or Loss
- reclassifies the Parent's share of components previously recognized in OCI to Profit or Loss or Retained earnings, as appropriate, as would be required if the Group has directly disposed of the related Assets or Liabilities.

**IV Use of Estimates**

The preparation of consolidated financial statements is in conformity with generally accepted accounting principles which require the management of the Company to make judgements, estimates and assumptions that affect the reported amount of revenues, expenses, assets and liabilities and disclosure of contingent liabilities at the end of the reporting period. Although these estimates are based upon the management's best knowledge of current events and actions, uncertainty about these assumptions and estimates could result in the outcomes requiring a material adjustment to the carrying amounts of assets or liabilities in future period. Appropriate changes in estimates are made as management becomes aware of changes in circumstances surrounding the estimates. Application of accounting policies that require significant accounting estimates involving complex and subjective judgements and the use of assumptions in these consolidated Financial statements have been disclosed separately under the heading "Significant accounting Judgements, estimates and assumption.

**V. Current Vs Non-current classification**

All assets and liabilities have been classified as current or non-current as per the Company's normal operating cycle and other criteria set out in the Schedule III to the Act. Based on the nature of products and the time between the acquisition of assets for processing and their realisation in cash and cash equivalents, the Company has determined its operating cycle as twelve months for the purpose of current – non-current classification of assets and liabilities.

Deferred tax assets and liabilities are always classified as non-current assets and liabilities.

**VI Revenue recognition**

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances, rebates, goods and services taxes plus amount collected on behalf of third parties.

**Revenue from contracts** with customers is recognized when control of the goods and services are transferred to the customer at an amount that reflects the consideration which the company expects to be entitled in exchange for those goods or services.

Revenue from sale of goods is recognized at the point of time when the control of the goods is transferred to the customer, which generally coincides with the delivery of the goods.

The company considers any other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated. In determining transaction price for the goods, the company consider the effect of variable consideration, the existence significant financing components, non-cash consideration and consideration payable to the customer, if any.

Revenue is recognised when the performance obligation is satisfied either over time or at a point of time.

**Other Operating Revenues** comprise of income from ancillary activities incidental to the operations of the Company and is recognised when the right to receive the income is established as per the terms of the contract.

**Dividend income** from investments is recognised when the Company's right to receive payment has been established.

**Interest Income** from a financial asset is recognised when it is probable that the economic benefits will flow to the Company and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset or shorter period, where appropriate to the gross carrying amount of the financial asset or to the amortized cost of a financial asset.

When calculating the effective interest rate, the company estimates the expected cash flows by considering all the contractual terms of the financial instrument but does not consider the expected credit losses. Interest income is included in other income in the statement of profit and loss. The expected cash flows are reassessed on a yearly basis and changes, if any, are accounted prospectively.

**VII Leases**

**The Company as a lessor:** Leases for which the company is a lessor is classified as a finance or operating lease. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

**The Company as a lessee:** The Company's lease asset classes primarily consist of leases for land and buildings. The Company assesses whether a contract contains a lease, at the inception of a contract. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses

whether

i. the contract involves the use of an identified asset

ii. the Company has substantially all of the economic benefits from use of the asset through the period of the lease and

iii. the Company has the right to direct the use of the asset.

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

Certain lease arrangements includes the options to extend or terminate the lease before the end of the lease term. ROU assets and lease liabilities includes these options when it is reasonably certain that they will be exercised. The ROU assets are initially recognized at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or prior to the commencement date of the lease plus any initial direct costs less any lease incentives. They are subsequently measured at cost less accumulated depreciation and impairment losses.

ROU assets are depreciated from the commencement date on a straight-line basis over the shorter of the lease term and useful life of the underlying asset. ROU assets are evaluated for recoverability whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. For the purpose of impairment testing, the recoverable amount (i.e. the higher of the fair value less cost to sell and the value-in- use) is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. In such cases, the recoverable amount is determined for the Cash Generating Unit (CGU) to which the asset belongs.

The lease liability is initially measured at amortized cost at the present value of the future lease payments. The lease payments are discounted using the interest rate implicit in the lease or, if not readily determinable, using the incremental borrowing rates. Lease liabilities are remeasured with a corresponding adjustment to the related ROU asset if the Company changes its assessment if whether it will exercise an extension or a termination option.

Lease liability and ROU assets have been separately presented in the Balance Sheet and lease payments have been classified as financing cash flows.

**VIII Foreign Currency Transactions**

**Functional and presentation currency**

The consolidated financial statements are presented in Indian Rupee (₹) which is also the functional and presentation currency of the Company.

**Initial Recognition**

Transactions in foreign currencies are translated into the functional currency of the Company at the exchange rates prevailing at the dates of the transactions or an average rate if the average rate approximates the actual rate at the dates of the transactions.

**Conversion**

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Non-monetary assets and liabilities that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction.

Exchange differences arising on monetary items on settlement, or restatement as at reporting date, at rates different from those at which they were initially recorded, are recognized in the statement of profit and loss in the year in which they arise.

**IX. Property, Plant and Equipment**

Property, Plant and Equipment (PPE), being fixed assets are tangible items that are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and are expected to be used for more than a period of twelve months.

Items of Property, plant and equipment (PPE) are measured at cost, which includes capitalised borrowing costs, less accumulated depreciation and accumulated impairment losses, if any. Financing costs (if any) relating to acquisition of assets which take substantial period of time to get ready for intended use are also included to the extent they relate to the period up to such assets are ready for their intended use.

Initial Cost of an item of PPE comprises its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates, any directly attributable cost of bringing the item to its location and working condition necessary for it to be capable of operating in the manner intended by the Management and estimated costs of dismantling and removing the item and restoring the site on which it is located.

Items such as spare parts, stand-by equipment and servicing equipment are capitalized when they meet the definition of property, plant and equipment.

If significant parts of an item of PPE have different useful lives, then they are accounted for as separate items (major components) of PPE.

**Subsequent costs and disposal:** Subsequent expenditure related to an item of PPE is added to its book value only if it increases the future economic benefits from the existing asset beyond its previously assessed standard of performance/life.

All other expenses on existing PPE, including day-to-day repair and maintenance expenditure and cost of replacing parts re charged to the statement of profit and loss for the period during which such expenses are incurred.

**Derecognition:** The carrying amount of an item of PPE is derecognised on disposal or when no future economic benefits are expected from its use or disposal.

Gains or losses arising from derecognition of PPE are measured as the difference between the net disposal proceeds and the carrying amount of the assets and are recognized in the statement of profit and loss when the asset is derecognized.

**Capital-work-in-progress:** Assets in the course of construction are capitalized in capital work in progress account. At the point when an asset is capable of operating in the manner intended by management, the cost of construction is transferred to the appropriate category of property, plant and equipment. Costs (net of income) associated with the commissioning of an asset are capitalised until the period of commissioning has been completed and the asset is ready for its intended use.

**Depreciation:** Depreciation on PPE are provided under straight line method as per the useful lives and manner prescribed under Schedule II to the Companies Act, 2013, except for plant & equipments where the useful life is estimated to be 20 years (10 years based on triple shift basis), based on technical evaluation.

Assets under lease are depreciated over the shorter of lease term and their useful lives.

The Management believes that the estimated useful lives as per the provisions of Schedule II to the Companies Act, 2013, wherever adopted, are realistic and reflect fair approximation of the period over which the assets are likely to be used.

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, if there has been a significant change in the expected pattern of consumption of future economic benefits embodied in the asset, depreciation is charged prospectively to reflect the changed pattern.

The Company has used the following useful lives to provide depreciation on its Property, Plant and Equipment:

| Class of Assets | Useful Lives |
|---|---|
| Factory Buildings | 30 Years |
| Non- Factory Buildings | 60 Years |
| Leasehold Buildings | Term of Lease or useful life which ever is earlier |
| Plant and Equipment | 10 Years (on triple shift basis) |
| Vehicles - Two wheeler | 10 Years |
| Vehicles - Four wheeler | 8 years |
| Furniture and Fixtures | 10 Years |
| Office equipments | 5 years |
| Computer | 3 Years |

**X. Intangible Assets and Amortisation:**

An intangible asset is an identifiable non-monetary asset without physical substance

Intangible assets are recognised only if it is probable that future economic benefits that are attributable to the asset will flow to the enterprise and the cost of the asset can be measured reliably.

Computer software licenses are capitalised on the basis of costs incurred to acquire and bring to use the specific software. Operating software is capitalised and amortised along with the related fixed asset.

Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the e ect of any changes in estimate being accounted for on a prospective basis.

The Company has used the following useful lives to amortise its intangible assets:

| Class of Assets | Useful Lives |
|---|---|
| Computer software - Acquired | 6 years |

**XI. Impairment of Non Financial assets:**

The Company periodically assesses whether there is any indication that an asset or a group of assets comprising a cash generating unit may be impaired. If any such indication exists, the Company estimates the recoverable amount of the asset. For an asset or group of assets that does not generate largely independent cash inflows, the recoverable amount is determined for the cash- generating unit to which the asset belongs. If such recoverable amount of the asset or the recoverable amount of the cash generating unit to which the asset belongs is less than its carrying amount, the carrying amount is reduced to its recoverable amount. The reduction is treated as an impairment loss and is recognized in the statement of profit and loss. If at the balance sheet date there is an indication that if a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount subject to a maximum of depreciable historical cost. An impairment loss is reversed only to the extent that the amount of asset does not exceed the net book value that would have been determined if no impairment loss had been recognized.

**XII. Borrowings:**

Borrowing cost includes interest expense as per Effective Interest Rate (EIR) and exchange differences arising from foreign currency borrowings to the extent they are regarded as an adjustment to the interest cost.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in the statement of profit and loss in the period in which they are incurred.

**XIII. Government Grants:**

Grants and subsidies from the government are recognised when there is reasonable assurance that (i) the Company will comply with the conditions attached to them, and (ii) the grant/subsidy will be received.

When the grant or subsidy relates to revenue, it is recognised as income on a systematic basis in profit or loss over the periods necessary to match them with the related costs, which they are intended to compensate.

Where the grant relates to an asset, it is recognised as deferred income and released to income in equal amounts over the expected useful life of the related asset and presented within other income. When the Company receives grants of non-monetary assets, the asset and the grant are recorded at fair value amounts and released to profit or loss over the expected useful life in a pattern of consumption of the benefit of the underlying asset.

**XIV. Earnings per share:**

Basic earnings per share is computed by dividing the profit / (loss) after tax attributable to equity shareholders by the weighted average number of equity shares outstanding during the year.

Diluted earnings per share is computed by dividing the profit / (loss) after tax as adjusted for dividend, interest and other charges to expense or income (net of any attributable taxes) relating to the dilutive potential equity shares, by the weighted average number of equity shares considered for deriving basic earnings per share and the weighted average number of equity shares which could have been issued on the conversion of all dilutive potential equity shares including the treasury shares held by the Company to satisfy the exercise of the share options by the employees.

**XV.Inventories:**

Inventories are stated at the lower of cost and net realisable value.

**Cost of raw materials** includes cost of purchase and other costs incurred in bringing the inventories to their present location and condition.

**Cost of finished goods and work in progress** include cost of direct materials and labour and a proportion of manufacturing overheads based on the normal operating capacity but excluding borrowing costs.

Costs of inventories are determined on weighted average basis. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

The Net realisable value of work-in-progress is determined with reference to the selling prices of related finished products.

Raw Material, components and other supplies held for use in the production of finished products are not written down below cost except in cases where material prices have declined and it is estimated that the cost of the finished products will exceed their net realisable value. The comparison of cost and net realisable value is made on item-by-item basis.

Stores & Spares which do not meet the definition of PPE are accounted as inventories.

**XVI. Cash and cash equivalents:**

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

**XVII. Taxation**

Income tax expense comprises current tax and the net change in the deferred tax asset or liability during the year.

**Current income** tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date.

**Current income** tax relating to items recognized directly in equity is recognized in other comprehensive income / equity and not in the statement of profit and loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

**Deferred tax** is provided, using the balance sheet method, on all deductible temporary di erences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes and on carry forward of unused tax credits and unused tax loss.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date. Deferred tax relating to items recognized outside profit or loss is recognised outside profit or loss (either in other comprehensive income or equity).

Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary di erences, and the carryforward of unused tax credits and unused tax losses can be utilised. The carrying amount of deferred tax assets is reviewed at each reporting date and is adjusted to the extent that it is no longer probable that su cient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognized deferred tax assets are re- assessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

**Presentation of current and deferred tax:**

Current and deferred tax are recognized as income or an expense in the Statement of Profit and Loss, except when they relate to items that are recognized in Other Comprehensive Income, in which case, the current and deferred tax income/expense are recognized 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 e ect is included in the accounting for the business combination.

Deferred tax assets and liabilities are offset 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.

**XVIII. Employee Benefits**

Retirement benefit costs and termination benefits:

i. **Defined Contribution Plan:** A defined contribution plan is a post-employment benefit plan under which the Company pays specified contributions to a separate entity. The Company makes specified monthly contributions towards Provident Fund and Employee State Insurance. The Company's contribution is recognized as an expense in the Statement of Profit and Loss during the period in which the employee renders the related service. Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions.

ii. **Defined Benefit Plan:** The cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each annual reporting period. Re-measurement, 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 immediately in the statement of financial position with a charge or credit recognised in other comprehensive income in the period in which they occur. Re-measurement recognised in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss. Past service cost is recognised in profit or loss in the period of a plan amendment.

Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset. Defined benefit costs are categorised as follows:

a. service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlements);

b. net interest expense or income; and

c. re-measurement

The Company presents the first two components of defined benefit costs in profit or loss in the line item 'Employee benefits expenses'. Curtailment gains and losses are accounted for as past service costs.The retirement benefit obligation recognised in the statement of financial position represents the actual deficit or surplus in the Company's defined benefit plans. The Company presents the above liability/(asset) as current and non-current in the Balance Sheet as per actuarial valuation by the independent actuary and also considering whether the Company will contribute this amount to the gratuity fund within the next twelve months.

A liability for a termination benefit is recognised at the earlier of when the entity can no longer withdraw the offer of the termination benefit and when the entity recognises any related restructuring costs.

**Short-term and other long-term employee benefits:**

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and sick leave in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.Liabilities recognised in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

Liabilities recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Company in respect of services provided by employees up to the reporting date.

**XIX. Provisions and contingent liabilities**

Provisions are recognised when the Company has a present obligation (legal or constructive), as a result of past events, and it is probable that an outflow of resources, that can be reliably estimated, will be required to settle such an obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. When there is a possible obligation that the likelihood of outflow of resources is remote, no provision or disclosure is made.

**XX. Financial Instruments**

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through Statement of Profit and Loss (FVTPL)) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit and loss are recognised immediately in Statement of Profit and Loss.

**A. Financial Assets:**

**(i) Recognition and initial Measurement:** The Company initially recognises loans and advances, deposits, debt securities issues and subordinated liabilities on the date on which they originate. All other financial instruments (including regular way purchases and sales of financial assets) are recognised on the trade date, which is the date on which the Company becomes a party to the contractual provisions of the instrument. A financial asset or liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue.

**(ii) Classification of financial assets:** On initial recognition, a financial asset is classified to be measured at amortised cost, fair value through other comprehensive income (FVTOCI) or FVTPL.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated at FVTPL:

i. The asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and

ii. The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt instrument is classified as FVTOCI only if it meets both of the following conditions and is not recognised at FVTPL;

· The asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and

· The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments included within the FVTOCI category are measured initially as well as at each reporting date at fair value. Fair value movements are recognized in the Other Comprehensive Income (OCI). However, the Company recognizes interest income, impairment losses & reversals and foreign exchange gain or loss in the Statement of Profit and Loss. On derecognition of the asset, cumulative gain or loss previously recognised in OCI is reclassified from the equity to Statement of Profit and Loss. Interest earned whilst holding FVTOCI debt instrument is reported as interest income using the EIR method.

**Equity investments (other than investments in subsidiaries and joint ventures):**

All equity investments within the scope of Ind AS 109, 'Financial Instruments' are measured at fair value. Equity instruments which are held for trading and contingent consideration recognised by an acquirer in a business combination to which Ind AS 103 applies are classified as at FVTPL. For all other equity instruments, the Company may make an irrevocable election to present in other comprehensive income subsequent changes in the fair value. The Company makes such election on an instrument-by instrument basis. The classification is made on initial recognition and is irrevocable. If the Company decides to classify an equity instrument as at FVTOCI, then all fair value changes on the instrument, excluding dividends, are recognized in the OCI. There is no recycling of the amounts from OCI to Statement of Profit and Loss, even on sale of investment. However, the Company may transfer the cumulative gain or loss within equity.

Equity instruments included within the FVTPL category are measured at fair value with all changes recognized in the Statement of Profit and Loss.

All other financial assets are classified as measured at FVTPL. In addition, on initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVTOCI or at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any gains and losses arising on remeasurement recognized in statement of profit or loss. The net gain or loss recognized in statement of profit or loss incorporates any dividend or interest earned on the financial asset and is included in the 'other income' line item. Dividend on financial assets at FVTPL is recognized when:

a. The Company's right to receive the dividends is established,

b. It is probable that the economic benefits associated w i t h the dividends will flow to the entity,

The dividend does not represent a recovery of part of cost of the investment and the amount of dividend can be measured reliably.

**Investment in Subsidiaries, Associates and Joint ventures:**

The Company's investment in equity instruments of Subsidiaries, Associates and Joint venture are accounted for at cost as per Ind AS 27.

(iii) **Derecognition of financial assets:** The Company derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.On derecognition of a financial asset in its entirety, the di erence between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss if such gain or loss would have otherwise been recognised in profit or loss on disposal of that financial asset. On derecognition of a financial asset other than in its entirety (e.g. when the Company retains an option to repurchase part of a transferred asset), the Company allocates the previous carrying amount of the financial asset between the part it continues to recognise under continuing involvement, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The di erence between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised inprofit or loss if such gain or loss would have otherwise been recognised in profit or loss on disposal of that financial asset. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

iv. **Impairment:** The Company assesses at each reporting date whether a financial asset (or a group of financial assets) is impaired based on evidence or information that is available without undue cost or e ort. Expected credit losses are assessed and loss allowances recognised if the credit quality of the financial asset has deteriorated significantly since initial recognition.

Ind AS 109 requires expected credit losses to be measured through a loss allowance. The Company recognizes lifetime expected losses for all contract assets and / or all trade receivables that do not constitute a financing transaction. For all other financial assets, expected credit losses are measured at an amount equal to the 12-month expected credit losses or at an amount equal to the life time expected credit losses, if the credit risk on the financial asset has increased significantly since initial recognition.

**B. Financial liabilities and equity instruments**

Financial liabilities are classified as at FVTPL when the financial liability is either held for trading or it is designated as at FVTPL.

**(I) Recognition and initial Measurement:**

A financial liability is classified as held for trading if:

· It has been incurred principally for the purpose of repurchasing it in the near term; or

· on initial recognition it is part of a portfolio of identified financial instruments that the Company manages together and has a recent actual pattern of short-term profit-taking; or

· it is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

· such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise;

· the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Company's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

· it forms part of a contract containing one or more embedded derivatives, and Ind AS 109 permits the entire combined contract to be designated as at FVTPL in accordance with Ind AS 109.

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in Statement of Profit and Loss. The net gain or loss recognised in Statement of Profit and Loss incorporates any interest paid on the financial liability and is included in the 'other gains and losses' line item in the Statement of Profit and Loss. The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in Statement of Profit and Loss.

**(ii) Subsequent measurement**

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

**a. Loans and borrowings**

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the E ective Interest Rate (EIR) method. Gains and losses are recognized in profit or loss when the liabilities are de-recognized as well as through the EIR amortization process. Amortized 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 amortization is included as finance costs in the statement of profit and loss.

**b. Trade and other payables**

These amounts represent liabilities for goods or services provided to the Company which are unpaid at the end of the reporting period. Trade and other payables are presented as current liabilities when the payment is due within a period of 12 months from the end of the reporting period.

For all trade and other payables classified as current, the carrying amounts approximate fair value due to the short maturity of these instruments. Other payables falling due after 12 months from the end of the reporting period are presented as non-current liabilities and are measured at amortized cost unless designated as fair value through profit and loss at the inception.

**c. Other financial liabilities at fair value through profit or loss:**

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Gains or losses on liabilities held for trading are recognized in the profit or loss.

**Other financial liabilities:**Other financial liabilities (including borrowings and trade and other payables) are subsequently measured at amortised cost using the e ective interest method.

(iii) **Derecognition of financial liabilities:** The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or have expired. An exchange between with a lender of debt instruments with substantially di erent terms is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, a substantial modification of the terms of an existing financial liability (whether or not attributable to the financial di culty of the debtor) is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The di erence between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

(iv) **Derivative financial instruments:** The Company enters into a variety of derivative financial instruments to manage its exposure to interest rate and FE rate risks.

Derivatives are initially recognised at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in Statement of Profit and Loss immediately unless the derivative is designated and e ective as a hedging instrument, in which event the timing of the recognition in Statement of Profit and Loss depends on the nature of the hedge item.

**c. Offsetting of financial instruments**

Financial assets and financial liabilities are o set and the net amount is reported in the balance sheet if there is a currently enforceable legal right to o set the recognized amounts and there is an intention to settle on a net basis, to realize the assets and settle the liabilities simultaneously.

**d. Compound Financial Instruments**

A financial instrument that comprises of both the liability and equity components are accounted as compound financial instruments. The fair value of the liability component is separated from the compound instrument and is subsequently measured at amortized cost. The residual value is recognized as equity component of other financial instrument and is not re-measured after initial recognition.

The transaction costs related to compound instruments are allocated to the liability and equity components in the proportion to the allocation of gross proceeds. Transaction costs related to equity component is recognized directly in equity and the cost related to liability component is included in the carrying amount of the liability component and amortized using effective interest method.

**XXI. Fair value measurement:**

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

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

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

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

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

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs. All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

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

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

**Significant accounting judgements, estimates and assumptions:**

The preparation of financial statements in conformity with the recognition and measurement principles of Ind AS requires management to make judgments, estimates and assumptions that affect the reported balances of revenues, expenses, assets and liabilities and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future period, if the revision affects current and future period.

The following are the areas of estimation uncertainty and critical judgments that the management has made in the process of applying the Company's accounting policies:

**i.** **Useful Lives of Property, Plant and Equipment:** Management reviews the useful lives of property, plant and equipment at least once a year. Such lives are dependent upon an assessment of both the technical lives of the assets and also their likely economic lives based on various internal and external factors including relative e ciency and operating costs. Accordingly, depreciable lives are reviewed annually using the best information available to the Management.

**ii.** **Impairment:** Determining whether the assets are impaired requires an estimate in the value in use of the assets. The value in use calculation requires the Management to estimate the future cash flows expected to arise from the asset and a suitable discount rate in order to calculate present value. When the actual cash flows are less than expected, a material impairment loss may arise.

**iii** **Provisions and Contingencies:** Provisions and liabilities are recognized in the period when it becomes probable that there will be a future outflow of funds resulting from past operations or events that can reasonably be estimated. The timing of recognition requires application of judgement to existing facts and circumstances which may be subject to change. The amounts are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

**iv** **Fair Value Measurement:** When the fair values of financial assets or financial liabilities recorded or disclosed in the consolidated financial statements cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the DCF model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. Judgements include consideration of inputs such as liquidity risk, credit risk and volatility. Information about the valuation techniques and inputs used in determining the fair value of various assets and liabilities are disclosed in note 37.

V **Taxes:** Deferred tax assets are recognized for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

VI **Defined Benefit Obligation:** The costs of providing Gratuity and other post-employment benefits are charged to the Statement of Profit and Loss in accordance with Ind AS 19 'Employee benefits' over the period during which benefit is derived from the employees' services. The costs are assessed on the basis of assumptions selected by the management. These assumptions include salary escalation rate, discount rates, expected rate of return on assets and mortality rates. The same is disclosed in Note 35, 'Employee benefits '.

VII **Inventories:** An inventory provision is recognised for cases where the realisable value is estimated to be lower than the inventory carrying value. The inventory provision is estimated taking into account various factors, including prevailing sales prices of inventory item and losses associated with obsolete / slow-moving / redundant inventory items. The Company has, based on these assessments, made adequate provision in the books

VIII **Leases :** Significant judgments are required in the assumption and estimates in order to determine the ROU Asset and lease liability. The assumption and estimates include application of practical expedients, selection of accounting policy choices, assessment of lease terms, applicable incremental borrowing rate, among others.

**Recent amendments and pronouncements:**

On 24th March 2021, the Ministry of Corporate Affairs ("MCA") through a notification, amended Schedule III of the Companies Act, 2013. The amendments primarily relate to:

(a) Change in existing presentation requirement for certain amounts in Balance sheet, for eg., lease liabilities, security deposits, current maturities of long term borrowings, effect of prior period errors on Equity Share Capital.

(b) Additional disclosure requirements in specified formats, for eg., ageing of trade receivables, trade payables, capital work in progress, intangible assets, shareholding of promoters, etc.

(c) Disclosure of funds that have been used other than for the specified purposes for which it was borrowed from banks and financial institutions.

(d) Additional Regulatory information, for eg., compliance with number of layers of Companies, title deeds of immovable properties, disclosure on financial ratios, loans and advances to managerial personnel, etc.

(e) Disclosure relating to Corporate Social Responsibility, undisclosed income and holding in respect of crypto or virtual currency.

These amendments are extensive and the company is in the process of evaluating the same.

## Non Current Assets

## 2. PROPERTY, PLANT AND EQUIPMENT

₹ Lakhs

| Particulars | Freehold Land | Buildings | Plant and equipment | Furnitures including office equipments | Vehicles | Computer | Total |
|---|---|---|---|---|---|---|---|
| **Gross Carrying Value** | | | | | | | |
| **As at 31st March 2019** | **28,852.62** | **6,863.71** | **24,546.08** | **181.12** | **213.61** | **113.69** | **60,770.83** |
| Additions | - | 85.93 | 961.83 | 6.44 | 20.65 | 17.04 | 1,091.89 |
| Deductions | 2,643.00 | 104.67 | 64.94 | 0.45 | 12.77 | 0.11 | 2,825.94 |
| **As at 31st March 2020** | **26,209.62** | **6,844.97** | **25,442.97** | **187.11** | **221.49** | **130.62** | **59,036.78** |
| Additions / Adjustments | - | 1.27 | 633.56 | 8.13 | 57.99 | 16.47 | 717.42 |
| Deductions | - | - | 151.62 | 0.05 | 30.09 | 1.59 | 183.35 |
| **As at 31st March 2021** | **26,209.62** | **6,846.24** | **25,924.91** | **195.19** | **249.39** | **145.50** | **59,570.85** |
| **Accumulated depreciation and impairment** | | | | | | | |
| **As at 31st March 2019** | **-** | **1,036.66** | **8,391.07** | **71.41** | **83.19** | **43.74** | **9,626.07** |
| Depreciation | - | 343.77 | 2,787.78 | 22.51 | 27.81 | 22.91 | 3,204.78 |
| Deductions | - | 7.45 | 27.49 | 0.22 | 8.38 | - | 43.54 |
| **As at 31st March 2020** | **-** | **1,372.98** | **11,151.36** | **93.70** | **102.62** | **66.65** | **12,787.31** |
| Depreciation /Adjustments | - | 342.55 | 2721.15 | 23.39 | 25.37 | 24.35 | 3,136.81 |
| Deductions | - | - | 78.02 | - | 19.30 | 0.30 | 97.62 |
| **As at 31st March 2021** | **-** | **1,715.53** | **13,794.49** | **117.09** | **108.69** | **90.70** | **15,826.50** |
| **Net Carrying Value** | | | | | | | |
| As at 31st March 2020 | 26,209.62 | 5,130.71 | 12,130.42 | 78.10 | 140.70 | 54.80 | 43,744.35 |
| **As at 31st March 2021** | **26,209.62** | **5,471.99** | **14,291.61** | **93.41** | **118.87** | **63.97** | **46,249.47** |

Certain Property, Plant and Equipment has been given as security against borrowings availed by the company. (Refer note no. 16 & 20).

## 3 (a) Right To Use Asset:

₹ Lakhs

| Particulars | Land | Building | Total |
|---|---|---|---|
| **Gross Carrying Value** | | | |
| **As at 31st March 2019** | **-** | **-** | **-** |
| Additions | - | 387.85 | 387.85 |
| Reclassification from Prepayment | 390.60 | - | 390.60 |
| Deductions | - | - | - |
| **As at 31st March 2020** | **390.60** | **387.85** | **778.45** |
| Additions | - | - | - |
| Reclassification from Prepayment | - | (4.55) | (4.55) |
| Deductions | - | - | - |
| **As at 31st March 2021** | **390.60** | **383.30** | **773.90** |
| **Accumulated Amortization and Impairment** | | | |
| **As at 31st March 2019** | | | |
| Amortization | - | - | - |
| Deductions | 30.36 | 24.57 | 54.93 |
| **As at 31st March 2020** | 30.36 | 24.57 | 54.93 |
| Amortization | 30.68 | 97.10 | 127.78 |
| Deductions | - | - | - |
| **As at 31st March 2021** | **61.04** | **121.67** | **182.71** |
| **Net Carrying Value** | | | |
| As at 31st March 2020 | 360.24 | 363.28 | 723.52 |
| **As at 31st March 2021** | **329.56** | **261.63** | **591.19** |

### 3(b) CAPITAL WORK IN PROGRESS

₹ Lakhs

| Particulars | Amount |
|---|---|
| **Gross Carrying Value** | |
| **As at 31st March 2019** | **243.09** |
| Additions | 55.87 |
| Deductions | 160.10 |
| **As at 31st March 2020** | **138.86** |
| Additions | 256.20 |
| Deductions | 138.86 |
| **As at 31st March 2021** | **256.20** |
| **Accumulated depreciation and impairment** | |
| **As at 31st March 2019** | **6.59** |
| Amortization | - |
| Deductions | 6.59 |
| **As at 31st March 2020** | - |
| Amortization | - |
| Deductions | - |
| **As at 31st March 2021** | **-** |
| **Net Carrying Value** | |
| As at 31st March 2020 | 138.86 |
| **As at 31st March 2021** | **256.20** |

### 3(c) INTANGIBLE ASSET

₹ Lakhs

| Particulars | Intangible Assets Computer Software | Intangible Assets Under development |
|---|---|---|
| **Gross Carrying Value** | | |
| **As at 31st March 2019** | **95.46** | **-** |
| Additions | 30.32 | - |
| Deductions | - | - |
| **As at 31st March 2020** | **125.78** | **-** |
| Additions | 4.72 | 7.94 |
| Deductions | - | - |
| **As at 31st March 2021** | **130.50** | **7.94** |
| **Accumulated Amortization and Impairment** | | |
| **As at 31st March 2019** | **69.42** | **-** |
| Amortization | 14.12 | - |
| Deductions | - | - |
| **As at 31st March 2020** | **83.54** | **-** |
| Amortization | 8.50 | - |
| Deductions | - | - |
| **As at 31st March 2021** | **92.04** | **-** |
| **Net Carrying Value** | | |
| As at 31st March 2020 | 42.24 | **-** |
| **As at 31st March 2021** | **38.46** | **7.94** |

## Non Current Assets (Contd)

## 4. FINANCIAL ASSETS: INVESTMENTS

₹ Lakhs

| Particulars | | 31.03.2021 | 31.03.2020 |
|---|---|---|---|
| **Investment in equity shares at fair value through other comprehensive income** | | | |
| Trade Investments - Unquoted, fully paid up | | | |
| 12,06,000 shares | A.P. Gas Power Corporation Limited of Rs.10 each (as on 31.03.20 -12,06,000 shares) | **1,073.34** | 1,085.40 |
| 2,25,000 shares | Sai Regency Power Corporation Private limited of Rs.10 each (as on 31.03.20 - 2,25,000 shares) | **-** | - |
| 14,000 shares | OPG Energy Private Limited of Rs.10 each (as on 31.03.20 - 14,000 shares) | **1.40** | 1.40 |
| 83,004 shares | Ind-Bharath Power Gencom Limited of Rs.10 each (as on 31.03.20 - 83,004 shares) | **-** | 1.42 |
| | **Total Trade Investments** | **1,074.74** | **1,088.22** |
| Other Investment - Unquoted, fully paid-up | | | |
| 100 shares | Precot Mills Employees Cooperative Credit Society of Rs.10 each (as on 31.03.20 - 100 shares) | **0.01** | 0.01 |
| 100 shares | Precot Mills Multi purpose stores of Rs.10 each (as on 31.03.20 - 100 shares) | **0.01** | 0.01 |
| 10 shares | Precot Workers Credit Co-operative Stores of Rs.10 each (as on 31.03.20 - 10 shares) | **0.00** | 0.00 |
| 10,000 shares | Cotton Sourcing Company Ltd of Rs.10 each (as on 31.03.20 - 10,000 shares) | **1.00** | 1.00 |
| | **Total Other Investments** | **1.02** | 1.02 |
| **In Government Securities** | | **0.02** | 0.02 |
| | **TOTAL INVESTMENTS** | **1,075.78** | **1,089.26** |
| **Aggregate amount of Quoted Investments and Market Value thereof** | | **-** | **-** |
| **Aggregate amount of Unquoted Investments** | | **1,075.78** | **1,089.26** |
| **Category-wise Non current investment** | | | |
| Financial assets carried at amortized cost | | **-** | - |
| Financial assets measured at fair value through other comprehensive income | | **1,075.78** | 1,089.26 |
| | **Total Non current investment** | **1,075.78** | **1,089.26** |

## 5. LOANS

₹ Lakhs

| Particulars | 31.03.2021 | 31.03.2020 |
|---|---|---|
| **Unsecured, considered good** | | |
| Security Deposits | **989.45** | 754.84 |
| | **989.45** | **754.84** |

## 6. OTHER NON-CURRENT ASSETS

₹ Lakhs

| Particulars | 31.03.2021 | 31.03.2020 |
|---|---|---|
| **Unsecured, considered good** | | |
| i) Capital advances | **276.78** | 22.44 |
| ii) Advances other than Capital advances | | |
| Advance Tax, net off provisions | **170.21** | 146.78 |
| **Others** | | |
| Prepayments | **13.07** | 17.53 |
| | **460.06** | **186.75** |

## CURRENT ASSETS:

## 7. INVENTORIES (at lower of cost and net realisable value)

₹ Lakhs

| Particulars | 31.03.2021 | 31.03.2020 |
|---|---|---|
| Raw Materials | **8,994.75** | 6,740.70 |
| Work-in-progress | **1,617.76** | 1,199.45 |
| Finished goods | **1,536.91** | 3,652.48 |
| Stores and spares | **913.23** | 754.03 |
| Waste Cotton | **56.93** | 85.39 |
| | **13,119.54** | **12,432.05** |
| **Details of stock in transit** | | |
| **Particulars** | | |
| Raw Materials | **826.85** | 1,711.58 |
| Stores and spares | **63.29** | - |
| **Total** | **890.14** | **1,711.58** |

(i) For method of valuation of inventories, refer note no. 1

(ii) Inventory held at net realizable value amounting to CY ₹ 605.49 Lakhs PY ₹ 371.54 Lakhs.
The amount of write down of inventory recognised as an expense during the year is CY ₹16.50 Lakhs - PY ₹ 44.50 Lakhs

(iii) There has been no reversal of such write down in current and previous years.

(iv) Inventories have been given as security against certain bank borrowings of the Company (Refer note no. 16 & 20)

**v) Cost of inventory recognised as an expense :**

₹ Lakhs

| Particulars | 31.03.2021 | 31.03.2020 |
|---|---|---|
| Cost of materials consumed | **34,052.11** | 41,518.77 |
| Cost of traded goods sold | **76.83** | 475.67 |
| Consumption of Stores & Spare parts | **2,685.11** | 2,718.14 |
| Power & Fuel | **443.19** | 517.84 |

## 8. TRADE RECEIVABLES

₹ Lakhs

| Particulars | 31.03.2021 | 31.03.2020 |
|---|---|---|
| **Unsecured, considered good** | **10,197.56** | 8,930.78 |
| With significant increase in credit risk | **295.57** | 55.91 |
| | **10,493.13** | 8,986.69 |
| Less: Allowance for expected credit loss | **(295.57)** | (55.91) |
| | **10,197.56** | **8,930.78** |

**Ageing of receivables that are past due but not impaired**

₹ Lakhs

| Particulars | 31.03.2021 | 31.03.2020 |
|---|---|---|
| 60-90 days | **943.13** | 849.20 |
| 90-180 days | **261.51** | 439.34 |
| > 180 days | **433.16** | 304.10 |
| **Total** | **1,637.80** | **1,592.64** |

**Movement in Allowance for expected credit loss is as follows :**

₹ Lakhs

| Particulars | 31.03.2021 | 31.03.2020 |
|---|---|---|
| Opening | **55.91** | 60.33 |
| Additions | **248.66** | 21.70 |
| Reversal | **9.00** | 26.12 |
| **Closing** | **295.57** | **55.91** |

The credit period on sales of goods ranges from 21 to 70 days without security. No interest is charged on trade receivables upto the end of the credit period.

Trade receivables have been given as collateral towards borrowings (Refer note no.16 & 20).

The Company's exposure to credit and currency risk related to trade receivables are given in note no.39.

Expected credit losses are estimated after taking into account historical credit loss experiences of the Company.

### 9. CASH AND CASH EQUIVALENTS

₹ Lakhs

| Particulars | 31.03.2021 | 31.03.2020 |
|---|---|---|
| **Balances with Banks** | | |
| Current accounts | **105.63** | 33.07 |
| Cash on hand | **3.92** | 5.30 |
| | **109.55** | **38.37** |

### 10. BANK BALANCE OTHER THAN CASH AND CASH EQUIVALENTS

₹ Lakhs

| Particulars | 31.03.2021 | 31.03.2020 |
|---|---|---|
| **Earmarked balances** | | |
| In Unclaimed dividend accounts | **4.91** | 6.68 |
| **Other balances:** | | |
| In margin money * | | |
| with maturity more than 3 months but less than 12 months at inception | **752.53** | 742.31 |
| with maturity more than 12 months at inception | **29.97** | 15.05 |
| | **787.41** | **764.04** |

* Margin money with banks is towards issue of buyers credit and letter of credit for Imports.

### 11. FINANCIAL ASSETS - LOANS

₹ Lakhs

| Particulars | 31.03.2021 | 31.03.2020 |
|---|---|---|
| **Unsecured, considered good** | | |
| Employee loans / advances | **77.56** | 56.31 |
| | **77.56** | **56.31** |

### 12. OTHER FINANCIAL ASSETS

₹ Lakhs

| Particulars | 31.03.2021 | 31.03.2020 |
|---|---|---|
| **Unsecured, considered good** | | |
| Income accrued | **47.49** | 50.87 |
| **With significant increase in credit risk** | | |
| Interest Subsidy Receivable | **2,142.64** | 2,142.64 |
| Less : Allowance for doubtful advances/ deposits | **(2,142.64)** | (2,142.64) |
| | **47.49** | **50.87** |

**Movement in Allowance for doubtful advances is as follows:**

₹ Lakhs

| Particulars | 31.03.2021 | 31.03.2020 |
|---|---|---|
| Opening | **2142.64** | 2,142.64 |
| Additions | - | - |
| Reversal | - | - |
| **Closing** | **2,142.64** | **2,142.64** |

## 13. OTHER CURRENT ASSETS

₹ Lakhs

| Particulars | 31.03.2021 | 31.03.2020 |
|---|---|---|
| **Unsecured, considered good** | | |
| Advance to Trade Suppliers | **2,795.61** | 261.01 |
| Export incentives receivable | **438.07** | 260.46 |
| Indirect tax balances/ recoverable /credits | **1,285.86** | 999.23 |
| **With significant increase in credit risk** | | |
| Indirect tax balances / recoverable / credits | **50.04** | 74.53 |
| Less : Allowance for doubtful advances / deposits | **(50.04)** | (74.53) |
| **Others** | | |
| Prepayments | **176.73** | 180.11 |
| | **4,696.27** | **1,700.81** |

**Movement in Allowance for doubtful advances is as follows:**

₹ Lakhs

| Particulars | 31.03.2021 | 31.03.2020 |
|---|---|---|
| Opening | **74.53** | 43.95 |
| Additions | **-** | 30.58 |
| Reversal | **24.49** | - |
| **Closing** | **50.04** | **74.53** |

## 14. EQUITY SHARE CAPITAL

₹ Lakhs

| Particulars | 31.03.2021 | 31.03.2020 |
|---|---|---|
| **Authorised** | | |
| 2,13,00,000 Equity Shares of Rs.10 each | **2,130.00** | 2,130.00 |
| (31-03-21 and 31-03-20 - 2,13,00,000 Equity Shares of Rs.10 each) | | |
| **Issued, Subscribed & fully Paid up** | | |
| 1,20,00,000 Equity Shares of Rs.10 each fully paid up | **1,200.00** | 1,200.00 |
| (31-03-21 and 31-03-20 - 1,20,00,000 Equity Shares of Rs.10 each) | **1,200.00** | **1,200.00** |

**i) The reconciliation of the number of shares outstanding is set out below :**

| Particulars | 31.03.2021 | | 31.03.2020 | |
|---|---|---|---|---|
| | Number | ₹ Lakhs | Number | ₹ Lakhs |
| At the beginning of the year | **1,20,00,000** | **1,200.00** | 1,20,00,000 | 1,200.00 |
| Add: Issued during the year | **-** | **-** | - | - |
| At the end of the year | **1,20,00,000** | **1,200.00** | 1,20,00,000 | 1,200.00 |

**ii) Terms/rights attached to equity shares :**

a. The company has only one class of issued shares referred to as equity shares having a par value of ₹ 10 each. Each holder of equity shares is entitled to one vote per share.

b. The dividend (except in case of interim dividend) proposed by the Board of Directors, if any, is subject to the approval of shareholders in the ensuing Annual General Meeting.

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

**iii) Details of shareholder's holding more than 5% of shares**

| S. No. | Particulars | Equity Shares | | | |
|---|---|---|---|---|---|
| | | As at 31.03.2021 | | As at 31.03.2020 | |
| | | No. of Shares held | % of holding | No. of Shares held | % of holding |
| 1 | Mr Sarath Chandran (Ind) | **16,42,845** | **13.69%** | 16,28,010 | 13.57% |
| 2 | Mr D Sarath Chandran (HUF) | **12,16,251** | **10.14%** | 12,16,251 | 10.14% |
| 3 | Mr Ashwin Chandran | **23,22,801** | **19.36%** | 23,07,987 | 19.23% |
| 4 | Mr Prashanth Chandran | **19,87,022** | **16.56%** | 19,72,411 | 16.44% |

iv) Shares allotted for consideration other than cash - Nil.

v) There are no Shares held by Holding Company / Subsidiaries of ultimate Holding Company.

**15. OTHER EQUITY**

₹ Lakhs

| Particulars | | 31.03.2021 | 31.03.2020 |
|---|---|---|---|
| General reserve | | **11,796.41** | 11,796.41 |
| Capital Reserve | | **48.19** | 48.19 |
| Capital Redemption Reserve | | **355.00** | 355.00 |
| Securities Premium | | **2,736.46** | 2,736.46 |
| | **(A)** | **14,936.06** | **14,936.06** |
| **Retained earnings** | | | |
| Opening Balance | | **12,922.63** | 14,574.84 |
| Add: Loss for the year | | **3,294.77** | (1,652.21) |
| | **(B)** | **16,217.40** | **12,922.63** |
| **Other Comprehensive Income:** | | | |
| Opening Balance | | **1,957.22** | 2,854.99 |
| Add : Additions during the year | | **(149.09)** | (897.77) |
| | **(C)** | **1,808.13** | **1,957.22** |
| | **(A+B+C)** | **32,961.59** | **29,815.91** |

**a. General reserve:**

Under the erstwhile Companies Act 1956, general reserve was created through an annual transfer of net income at a specified percentage in accordance with applicable regulations.

Consequent to introduction of Companies Act 2013, the requirement to mandatorily transfer a specified percentage of the net profit to general reserve has been withdrawn.

**b. Capital Redemption Reserve:**

i) An amount of ₹ 55 Lacs was transfered to capital redemption reserve consequent to buy back of 5,50,000 equity shares in July 2002 as per statutory requirement and

ii) ₹ 300 Lacs has been transferred from Meridian Industries Limited in 2006-07 to the Company in the course of business combinations and can be utilized in accordance with the provisions of the Companies Act, 2013.

**c. Securities Premium:**

Security premium has been created consequent to issue of shares at premium. The reserve is utilized in accordance with the provisions of the Companies Act,2013.

## 16. FINANCIAL LIABILITIES - BORROWINGS

₹ Lakhs

| Particulars | 31.03.2021 | | 31.03.2020 | |
|---|---|---|---|---|
| | Non Current | Current | Non Current | Current |
| **Secured Loans - at amortised cost** | | | | |
| Term loans from Banks | **10,654.18** | **5,422.88** | 12,633.25 | 1,383.00 |
| Less: Unamortised upfront fees on borrowings | **197.91** | **175.38** | 376.13 | 190.46 |
| Less: Amount disclosed under current maturities | | **5,247.50** | | 1,192.54 |
| **( A )** | **10,456.27** | **-** | **12,257.12** | **-** |
| **Loans from Others** | **3.75** | **5.69** | 9.05 | 6.35 |
| Less: Unmatured finance charges | **0.13** | **0.66** | 0.78 | 1.64 |
| Less: Amount disclosed under current maturities | **-** | **5.03** | | 4.71 |
| **( B )** | **3.62** | **-** | **8.27** | **-** |
| **Total (A+B)** | **10,459.89** | **-** | **12,265.39** | **-** |

**I Term loans from Banks:**
**a Repayment terms**

| Notes | Terms of Loans | Bank | 31.03.2021 | 31.03.2020 | Description |
|---|---|---|---|---|---|
| 2 | Repayable in 2 quarterly instalments aggregating to ₹ 266.30 lakhs. The interest is payable on monthly basis and the rate of interest varies from 11.75% to 12.95% per annum. | ICICI Bank | 266.30 | 500.00 | Rupee Corporate Loan |
| 2 | Repayable in 2 half yearly instalments aggregating to ₹ 2244.14 lakhs. The interest is payable on monthly basis and the rate of interest varies from 11.25% to 12.45% per annum. | ICICI Bank | 2,244.14 | 3,168.00 | Rupee Tuf loan XIII |
| 3 | Repayable in 12 quarterly instalments aggregating to ₹ 6,290.27 lakhs commencing from June 2021. The interest is payable on monthly basis and the rate of interest varies from 9.50% to 10.10% per annum. | IndusInd Bank | 6,290.27 | 6,000.00 | Term Loan |
| 3 | Repayable in 12 quarterly instalments aggregating to ₹ 3,983.84 lakhs commencing from June 2021. The interest is payable on monthly basis and the rate of interest varies from 9.50% to 10.10% per annum. | IndusInd Bank | 3,983.84 | 3,800.00 | Term Loan |
| 6 | Repayable in 48 monthly instalments aggregating to ₹ 1,000 lakhs commencing from February 2022. The interest is payable on monthly basis and the rate of interest is 8.25% per annum. | IndusInd Bank | 1,000.00 | - | GECL 2.0 Scheme |
| 1&2 | Repayable in 14 quarterly instalments aggregating to ₹ 282.41 lakhs commencing from May 2021. The interest is payable on monthly basis and the rate of interest varies from 10.40% to 11.20% per annum. | South Indian Bank | 282.41 | 308.00 | Rupee Tuf loan XVI |
| 4 | Repayable in 12 monthly instalments aggregating to ₹ 161.13 lakhs. The interest is payable on monthly basis and the rate of interest is 7.75% per annum. | State Bank of India | 161.13 | 240.25 | Term Loan (Covid 19 Emergency Credit Line - CELC) |
| 5 | Repayable in 48 monthly instalments aggregating to ₹ 475.07 lakhs commencing from February 2022. The interest is payable on monthly basis and the rate of interest is 7.95% per annum. | State Bank of India | 475.07 | - | GECL 2.0 Scheme |

| Notes | Terms of Loans | Bank | 31.2.2021 | 31.2.2020 | Description |
|---|---|---|---|---|---|
| 4 | Repayable in 14 monthly instalments aggregating to ₹ 423.89 lakhs. The interest is payable on monthly basis and the rate of interest is 8.00% per annum. | Andhra Bank | 423.89 | - | Term Loan (Covid 19 Emergency Credit Line - ELC) |
| 4 | Repayable in 48 monthly instalments aggregating to ₹ 950.00 lakhs commencing from January 2022. The interest is payable on monthly basis and the rate of interest is 8.80% per annum. | IDBI Bank | 950.00 | - | Working Capital Term Loan under GECL 2.0 Scheme |
| | **Total** | | **16,077.06** | **14,016.25** | |

**b. Security details:**

Note 1 : Exclusive first charge on Machineries acquired out of the loan.

Note 2: Pari passu first charge on entire movable and immovable assets of the company and pari passu second charge on current assets of the company.

Note 3: First charge on the entire moveable and immovable fixed assets of the company, present and future. Second Charge on the current assets of the company, both present and future. Promoters shall offer 3.60 million shares in Precot Limited, currently representing 30% of total shareholding in the company to Indusind Bank Limited (IBL) under Non-Disposal Undertaking (NDU) -Power of Attorney (POA) and 2.52 million shares currently representing 21% of total shareholding in the company to IBL under NDU.

Note 4: Paripassu first charge on Current Assets of the Company and Paripassu second charge on Fixed Assets of the Company.

Note 5: Primary and Collateral - Extension of charges on stocks and receivables

Note 6: First charge on entire movable and immovable fixed assets and pari passu second charge on Current Assets and exclusive charge on Promoter's Residential property

II Hire purchase loans from financial institution of ₹ 9.44 Lakhs (March 31, 2020 : ₹ 15.40 Lakhs) carries interest @ 8.73% to 10.65 % p.a. The loans are repayable in 36 monthly instalments starting from the respective date of finance. The loan is secured by specific assets financed (vehicle).

## 17. OTHER FINANCIAL LIABILITIES

₹ Lakhs

| Particulars | 31.03.2021 | 31.03.2020 |
|---|---|---|
| Derivative Liability - at FVTPL | **-** | 415.44 |
| Lease Liability (Refer Note no: 48) | **193.62** | 285.13 |
| | **193.62** | 700.57 |

## 18. PROVISIONS

₹ Lakhs

| Particulars | 31.03.2021 | 31.03.2020 |
|---|---|---|
| Provision for expenses | **1,093.37** | 1,093.37 |
| Provision for employee benefits | **853.63** | 706.58 |
| Gratuity (Refer note no. 35) | **1,947.00** | **1,799.95** |

**Movement in provision for expenses**

₹ Lakhs

| Particulars | 31.03.2021 | 31.03.2020 |
|---|---|---|
| Opening | **1,093.37** | 1,059.44 |
| Additions | **-** | 33.93 |
| Reversal | **-** | - |
| **Closing** | **1,093.37** | **1,093.37** |

## 19. OTHER NON-CURRENT LIABILITIES

₹ Lakhs

| Particulars | 31.03.2021 | 31.03.2020 |
|---|---|---|
| **Deferred Government Grant*** | **195.29** | 278.41 |
| | **195.29** | **278.41** |

* Represents grant received from the Government of Karnataka and treated as deferred income to be released to statement of profit and loss over the useful life of Property, Plant and Equipment against which such grant was received.

## 20. FINANCIAL LIABILITIES - BORROWINGS

₹ Lakhs

| Particulars | 31.03.2021 | 31.03.2020 |
|---|---|---|
| **Secured Loans - at amortised cost** | | |
| **Loans repayable on demand:** | | |
| From Banks | | |
| - Domestic Currency Loans | **6,279.16** | 7,510.10 |
| - Foreign Currency Loan | **8,908.52** | 8,222.22 |
| **Unsecured Loans at amortised cost** | | |
| **Loans repayable on demand:** | | |
| From Banks | | |
| - Domestic Currency Loans | **482.33** | 612.84 |
| From Others | | |
| - Loan from related party ( Refer note no. 47) | **1,000.00** | 1,000.00 |
| - Others | **250.00** | - |
| | **16,920.01** | **17,345.16** |

1 Working capital loan from banks are secured by pari passu first charge on all the current assets of the Company and pari passu second charge on entire immovable assets of the Company and are repayable on demand.

2 In respect of the above, working capital rupee loans carry interest ranging from 8.35 % p.a. to 13.35% p.a. and working capital foreign currency loans carry interest ranging from 2.21 % p.a. to 3.50 % p.a. plus applicable LIBOR.

3 Unsecured loan from banks carries interest @ 9.40% p.a. and is repayable on demand.

4 Loan from related party have been obtained pursuant to stipulations from IndusInd Bank vide letter dated 9th December 2019. It carries an interest rate of 12.50% p.a.

5 Unsecured loan from others represents inter corporate loan and it carries interest @ 14% p.a. and is repayable on demand.

## 21. FINANCIAL LIABILITIES -TRADE PAYABLES

₹ Lakhs

| Particulars | 31.03.2021 | 31.03.2020 |
|---|---|---|
| **Trade payables** | | |
| - Total outstanding dues of Micro and Small Enterprises (Refer note 43) | **118.45** | 85.54 |
| - Total outstanding dues of creditors other than Micro and Small Enterprises | **2,782.69** | 4,446.68 |
| | **2,901.14** | **4,532.22** |

The Company's exposure to Foreign currency risk and liquidity risk in relation to Trade Payables is disclosed in note no. 39.

## 22. OTHER FINANCIAL LIABILITIES

₹ Lakhs

| Particulars | 31.03.2021 | 31.03.2020 |
|---|---|---|
| Current maturities of long-term debt (Refer note no. 16) | **5,252.53** | 1,197.25 |
| Interest accrued but not due on borrowings | **6.60** | 63.97 |
| Unpaid dividends | **4.91** | 6.68 |
| Accrued Employee benefits | **741.35** | 688.30 |
| Lease Liability ( Refer note no. 48) | **91.50** | 83.15 |
| Derivative liability - at FVTPL | **186.95** | 33.46 |
| Others * | **2,033.92** | 2,335.52 |
| | **8,317.76** | **4,408.33** |

* Other Payables includes creditors for capital goods, creditors for expenses and outstanding expenses

## 23. OTHER CURRENT LIABILITIES

₹ Lakhs

| Particulars | 31.03.2021 | 31.03.2020 |
|---|---|---|
| Statutory Liabilities | **557.50** | 406.24 |
| Advance from Customers | **234.38** | 139.45 |
| Deferred Government Grant - (Refer note no. 19) | **83.14** | 83.14 |
| Others | **2.66** | 2.84 |
| | **877.68** | **631.67** |

## 24. CURRENT LIABILITIES - PROVISIONS

₹ Lakhs

| Particulars | 31.03.2021 | 31.03.2020 |
|---|---|---|
| Provision for employee benefits - Gratuity - (Refer note no. 35) | **224.73** | 180.46 |
| | **224.73** | **180.46** |

## 25. REVENUE FROM OPERATIONS

₹ Lakhs

| Particulars | 2020- 21 | 2019 - 20 |
|---|---|---|
| **Sale of Products - Manufactured Goods** | | |
| Sale of Yarn | **50,270.37** | 57,192.52 |
| Sale of Technical Textile products | **13,887.05** | 11,908.43 |
| **Sale of Products - Traded Goods** | | |
| Sale of Yarn | **79.14** | 540.96 |
| **Total (A)** | **64,236.56** | **69,641.91** |
| **Other operating revenue** | | |
| Scrap Sales | **1,913.79** | 2,662.11 |
| Export Incentive | **313.75** | 256.66 |
| Others* | **49.73** | 50.91 |
| **Total (B)** | **2,277.27** | **2,969.68** |
| **Total (A+B)** | **66,513.83** | **72,611.59** |

* Others include packing charges collected.

## 26. OTHER INCOME

₹ Lakhs

| Particulars | 2020- 21 | 2019 - 20 |
|---|---|---|
| Interest Income from financial assets at amortised cost | **154.48** | 255.03 |
| Net gain on disposal of property, plant and equipment | **74.86** | 86.73 |
| Insurance claim receipts | **60.40** | 11.04 |
| Gains on exchange fluctuations (net) (Refer note no 46) | **187.14** | - |
| Government grant - (Refer note no 19 & 23 ) | **83.14** | 83.14 |
| Miscellaneous Income | **10.15** | 629.44 |
| | **570.17** | **1,065.38** |

Miscellaneous income for the previous year 2019 - 20 includes an amount of ₹ 626.54 Lakhs, being the provision for interest liability reversed consequent to settlement of pending litigation under the Sabka Viswas (Legacy dispute resolution scheme) 2019.

### 27. COST OF MATERIALS CONSUMED

₹ Lakhs

| Particulars | 2020- 21 | 2019 - 20 |
|---|---|---|
| Cotton | **34,052.11** | 41,518.77 |
| | **34,052.11** | **41,518.77** |

| Particulars of Materials consumed | 2020- 21 | | 2019 - 20 | |
|---|---|---|---|---|
| | % of Consumption | ₹ Lakhs | % of Consumption | ₹ Lakhs |
| Imported | **13.87** | **4,721.52** | 23.09 | 9,586.86 |
| Indigenous | **86.13** | **29,330.59** | 76.91 | 31,931.91 |
| | **100.00** | **34,052.11** | **100.00** | **41,518.77** |

### 28. CHANGES IN INVENTORIES OF FINISHED GOODS, STOCK IN TRADE AND WORK-IN-PROGRESS

₹ Lakhs

| Particulars | | 2020- 21 | 2019 - 20 |
|---|---|---|---|
| **Inventory at the end of the year** | | | |
| **Work in Progress and Waste Cotton** | | | |
| Yarn | | **1,198.41** | 1,071.17 |
| Technical Textile products | | **476.24** | 213.67 |
| | **(a)** | **1,674.65** | **1,284.84** |
| **Finished Goods** | | | |
| Yarn | | **1,299.84** | 3,389.29 |
| Technical Textile products | | **237.07** | 263.19 |
| Traded Goods | | **-** | - |
| | **(b)** | **1,536.91** | **3,652.48** |
| **Total** | **c= (a+b)** | **3,211.56** | **4,937.32** |
| **Inventory at the beginning of the year** | | | |
| **Work in Progress and Waste Cotton** | | | |
| Yarn | | **1,071.17** | 1,212.49 |
| Technical Textile products | | **213.67** | 617.77 |
| | **(a)** | **1,284.84** | **1,830.26** |
| **Finished Goods** | | | |
| Yarn | | **3,389.29** | 3,837.82 |
| Technical Textile products | | **263.19** | 284.40 |
| Traded Goods | | - | 0.03 |
| | **(b)** | **3,652.48** | **4,122.25** |
| **Total** | **d= (a+b)** | **4,937.32** | **5,952.51** |
| **(Increase) / decrease in Inventories** | **d-c** | **1,725.76** | **1,015.19** |

### 29. EMPLOYEE BENEFITS EXPENSE

₹ Lakhs

| Particulars | 2020- 21 | 2019 - 20 |
|---|---|---|
| Salaries, Wages and Bonus | **6,506.11** | 6,367.26 |
| Contributions to Provident fund and other funds | **470.17** | 514.75 |
| Staff welfare expenses | **381.61** | 282.04 |
| | **7,357.89** | **7,164.05** |

## 30. FINANCE COST

₹ Lakhs

| Particulars | 2020- 21 | 2019 - 20 |
|---|---|---|
| Interest expense | **2,857.26** | 3,265.10 |
| Unwinding of interest on financial liabilities | **167.30** | 187.77 |
| Exchange differences regarded as an adjustment to borrowing cost | **-** | 286.58 |
| Other borrowing costs | **247.50** | 179.28 |
| | **3,272.06** | **3,918.73** |

Other borrowing costs represents processing fee in respect of working capital borrowings.

## 31. DEPRECIATION AND AMORTIZATION

₹ Lakhs

| Particulars | 2020- 21 | 2019 - 20 |
|---|---|---|
| Depreciation on Property Plant and Equipment - (Refer note no: 2) | **3,180.94** | 3,204.78 |
| Depreciation on Right of Use assets (Refer note no: 3(a)) | **127.78** | 54.93 |
| Amortization of Intangible asset - (Refer note no: 3(c)) | **8.50** | 14.12 |
| | **3,317.22** | **3,273.83** |

## 32. OTHER EXPENSES

₹ Lakhs

| Particulars | 2020- 21 | 2019 - 20 |
|---|---|---|
| Consumption of Stores & Spare parts | **2,685.11** | 2,718.14 |
| Power & Fuel (Net) (Refer note no: 42 ) | **5,712.36** | 7,987.78 |
| Processing Charges | **67.79** | 37.53 |
| Repairs | | |
| Building | **318.10** | 207.02 |
| Machinery | **1,830.61** | 2,879.27 |
| Others | **133.47** | 157.30 |
| Rent | **31.09** | 25.61 |
| Rates and Taxes | **50.05** | 57.86 |
| Foreign Exchange loss (net) (Refer note no.: 46) | **-** | 103.78 |
| Selling & Distribution expenses | **2,302.17** | 2,619.95 |
| Bank Charges | **97.65** | 106.75 |
| Communication Expenses | **53.52** | 55.50 |
| Travelling Expenses | **26.57** | 148.67 |
| Professional Charges | **119.12** | 138.16 |
| Auditor's Remuneration (Refer note no.: 32 (A)) | **16.24** | 16.42 |
| Provision for Expected Credit Loss (Net) | **239.66** | (4.42) |
| Bad debts written off | **-** | 22.70 |
| Irrecoverable Advances Written Off | **22.44** | - |
| Provision for doubtful advances (Net) | **(24.49)** | 30.58 |
| Miscellaneous Expenses | **305.90** | 297.87 |
| | **13,987.36** | **17,606.47** |

### 32 (A) Payments to the auditor as

₹ Lakhs

| Particulars | 2020- 21 | 2019 - 20 |
|---|---|---|
| (a) Auditor | **10.50** | 10.50 |
| (b) Taxation matters | **2.00** | 2.35 |
| (c) Other services | **3.00** | 2.68 |
| (d) For reimbursement of expenses | **0.74** | 0.89 |
| | **16.24** | **16.42** |

### 33. UNRECOGNISED DEFERRED TAX ASSET

Deferred tax asset has not been recognised since it is not probable that future taxable profits will be available against which the company can use the benefits thereon.

₹ Lakhs

| Particulars | 31.03.2021 | 31.03.2020 |
|---|---|---|
| Tax losses carried forward | **2508.95** | 8970.21 |

### 34. EARNINGS PER SHARE

₹ Lakhs

| Particulars | 31.03.2021 | 31.03.2020 |
|---|---|---|
| Net Profit / (Loss) after tax as per Statement of Profit and Loss attributable to Equity Shareholders | **3,294.77** | (1,652.21) |
| Weighted Average number of equity shares used as denominator for calculating EPS (in number) | **120,00,000** | 120,00,000 |
| Basic & Diluted Profit / (Loss) per share (in ₹) | **27.46** | (13.77) |
| Face Value per equity share (in ₹) | **10.00** | 10.00 |

### 35 Employee Benefit Plans

#### (a) Defined contribution plans - Provident Fund

In accordance with The Employees Provident Funds Act, 1952 employees are entitled to receive benefits under the provident fund. Both the employee and the employer make monthly contributions to the plan at a predetermined rate (12% for fiscal year 2021 and 2020) of an employee’s basic salary. All employees have an option to make additional voluntary contributions. These contributions are made to the fund administered and managed by the Government of India (GOI). The Company has no further obligations under the fund managed by the GOI beyond its monthly contributions which are charged to the statement of profit and loss in the period they are incurred.

The expense recognised during the period towards this defined contribution plan is ₹ 270.31 Lakhs (March 31, 2020 – ₹ 310.29 Lakhs).

#### (b) Defined contribution plans - Employee State Insurance

"In accordance with Employees' State Insurance Act, 1948, the eligible employees are entitled to receive benefits under the ESI Scheme. The employer contributes 3.25 percent and employee contributes 0.75 percent, total share 4 percent. This fund is managed by the ESI Corporation (ESIC) according to rules and regulations stipulated there in the ESI Act 1948, which oversees the provision of medical and cash benefits to the employees and their family. The Company has no further obligations under the fund managed by the GOI beyond its monthly contributions which are charged to the statement of profit and loss in the period they are incurred.The expense recognised during the period towards this defined contribution plan is ₹ 64.16 Lakhs (March 31, 2020 – ₹ 90.47 Lakhs)."

**(c) Defined Benefit Plans - Gratuity**

The company has defined benefit gratuity plan for its employees, which requires contributions to be made to a separately administered fund. It is governed by the Payment of Gratuity Act, 1972. The plan provides for a lump-sum payment to vested employees at retirement, death, while in employment or on termination of employment of an amount equivalent to 26 days salary payable for each completed year of service. Under the Act, employee who has completed five years of service is entitled to specific benefit. The level of benefits provided depends on the member's length of service and salary at retirement age. The fund has the form of a trust and it is governed by the Board of Trustees. The Board of Trustees is responsible for the administration of the plan assets including investment of the funds in accordance with the norms prescribed by the Government of India.

Each year, the Board of Trustees and the Company review the level of funding in the India gratuity plan. Such a review includes the asset-liability matching strategy and assessment of the investment risk. The Company decides its contribution based on the results of this annual review. The most recent actuarial valuation of the plan assets and the present value of the defined benefit obligation were carried out at 31 March 2021 by Mr. Srinivasan Nagasubramanian, Armstrong International Employee Benefits Solution, Fellow of the Institute of Actuaries of India . Company's liability towards gratuity (funded) is actuarially determined at each reporting date using the projected unit credit method.

**(i) Risk Exposure:**

These plans typically expose the Company to actuarial risks such as: investment risk, interest rate risk, longevity risk and salary risk.

**Investment risk** The present value of the defined benefit plan liability is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the plan's liability.

**Interest risk** A decrease in the bond interest rate will increase the plan liability; however, this will be partially offset by an increase in the return on the plan's debt investments.

**Longevity risk** The present value of the defined benefit plan liability is calculated by reference to the best estimate of the mortality of plan participants both during and after their employment. An increase in the life expectancy of the plan participants will increase the plan's liability.

**Salary risk** The present value of the defined benefit plan liability is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the plan's liability.

**(ii) Expense Recognised in Income Statement:**

₹ Lakhs

| A | Components of Employer expense | 31.03.2021 | 31.03.2020 |
|---|---|---|---|
| | **Service Cost** | | |
| 1 | Current service Cost | **82.08** | 62.32 |
| 2 | Past service cost - Plan Amendment | **-** | - |
| 3 | Curtailement Cost/(Credit) | **-** | - |
| 4 | Settlement Cost/(Credit) | **-** | - |
| **5** | **Total Service Cost** | **82.08** | **62.32** |
| | **Net Interest Cost** | | |
| 6 | Interest Expense on DBO | **71.39** | 74.61 |
| 7 | Interest (Income on Plan Asset) | **(17.77)** | (31.27) |
| 8 | Interest income on reimbursement rights | **-** | - |
| 9 | Interest expense on effect of (asset ceiling) | **-** | - |
| **10** | **Total Net Interest** | **53.62** | **43.34** |
| 11 | Immediate Recognition of (Gain)/Losses- Other Long Term Benefits | **-** | - |
| 12 | Cost of Termination Benefits | | |
| 13 | Administrative Expenses and Taxes | | |
| **14** | **Defined Benefits cost included in P&L** | **135.70** | **105.66** |
| | Actuarial (Gain) / Losses due to Demographic Assumption changes in DBO | **-** | (6.52) |
| | Actuarial (Gain) / Losses due to Financial Assumption changes in DBO | **164.00** | (146.81) |
| | Actuarial (Gain)/ Losses due to Experience on DBO | **53.55** | 254.85 |
| | Return on Plan Assets (Greater) / Less than Disount rate | **(81.94)** | 50.20 |
| | Return on reimbursement rights (excluding interest income) | **-** | - |
| | "Changes in asset ceiling /onerous liability (excluding interest Income)" | **-** | - |
| | **Total actuarial (gain)/loss included in OCI** | **135.61** | **151.72** |
| | **Total cost recognised in P&L and OCI (Defined Benefit Cost)** | | |
| | Cost Recognised in P&L | **135.70** | 105.66 |
| | Remeasurement Effect Recognised in OCI | **135.61** | 151.72 |
| | **Total Defined Benefit Cost** | **271.31** | **257.38** |

**Net Asset/(Liability) Recognised in Balance Sheet on**

₹ Lakhs

| Particulars | 31.03.2021 | 31.03.2020 |
|---|---|---|
| Present value of DBO at the beginning | **1,203.75** | 1,219.54 |
| Current Service Cost | **82.08** | 62.32 |
| Interest Cost | **71.39** | 74.61 |
| Benefit payments from plan | **(151.92)** | (254.24) |
| Actuarial (Gains)/Loss | **217.55** | 101.52 |
| Present Value of DBO at the ending period | **1,422.85** | **1,203.75** |

**(iii) Reconciliation of Opening & Closing of Plan Assets (Ind AS 19 Para 120 (e) (i) to (viii)**

₹ Lakhs

| Particulars | 31.03.2021 | 31.03.2020 |
|---|---|---|
| Fair Value of Plan Assets at the beginning | **316.72** | 579.89 |
| Interest income of assets | **17.77** | 31.27 |
| Total employer contributions | **80.00** | 10.00 |
| Benefits Payouts from plan | **(151.92)** | (254.24) |
| Actuarial gain/(Loss) | **81.94** | (50.20) |
| Fair Value of assets at the End | **344.51** | **316.72** |
| Actual Return on Plan Assets | **99.71** | **(18.93)** |

₹ Lakhs

| Net Asset/(Liability) Recognised in Balance Sheet | 31.03.2021 | 31.03.2020 |
|---|---|---|
| Present value of Benefit Obligation | **1,422.85** | 1,203.75 |
| Fair Value of Plan Assets | **344.51** | 316.72 |
| Funded status [Surplus/(Deficit)] | **(1,078.34)** | (887.03) |
| Unrecognised Past Service Costs | **-** | - |
| **Net Assets/(Liability) Recognised in balance sheet** | **(1,078.34)** | **(887.03)** |

₹ Lakhs

| Amounts Recognized in Other Comprehensive Income | 31.03.2021 | 31.03.2020 |
|---|---|---|
| Opening cumulative other comprehensive Income | **119.11** | (32.61) |
| Actuarial Loss / (Gain) On Defined Benefit Obligation | **217.55** | 101.52 |
| Actuarial Loss /( Gain) On Assets | **(81.94)** | 50.20 |
| Amortization Actuarial Loss /(Gain) | **-** | - |
| Net increase in OCI | **135.61** | 151.72 |
| Amortization of Prior Service Cost | **-** | - |
| **Total Recognised In Other Comprehensive Income** | **254.72** | **119.11** |

The principal assumptions used in determining gratuity obligations for the Company's plans are shown below:

| Assumptions | 31.03.2021 | 31.03.2020 |
|---|---|---|
| Discount rate | **6.33%** | 6.83% |
| Expected return on assets | **6.33%** | 6.83% |
| Salary Escalation | **3.00%** | 1.50% |
| Attrition Rate | **5.00%** | 5.00% |
| Mortality | Indian Assured Lives Mortality (2012 - 14) Ultimate | |

**Major Category of Plan Assets as a % of the Total Plan Assets**

| | 31.03.2021 | 31.03.2020 |
|---|---|---|
| HDFC GROUP Unit Linked Plan - Option B | **100.00%** | 100.00% |

**The fair value of Mutual funds is determined based on quoted market prices in active markets. The employee benefit plans do not hold any securities issued by the Company.**

* In the absence of detailed information regarding plan assets which is funded with Insurance Companies, the composition of each major category of plan assets, the percentage or amount for each category to the fair value of plan assets has not been disclosed.

**(iv) Sensitivity analysis**

Significant actuarial assumptions for the determination of the defined benefit obligation are discount rate and expected salary increase. The sensitivity analysis below have been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant.

| Particulars | 31.03.2021 | 31.03.2020 |
|---|---|---|
| Defined Benefit Obligation - Discount Rate + 100 basis points | **1,345.46** | 1,136.62 |
| Defined Benefit Obligation - Discount Rate - 100 basis points | **1,508.75** | 1,278.21 |
| Defined Benefit Obligation - Salary Escalation Rate + 100 basis points | **1,506.72** | 1,279.90 |
| Defined Benefit Obligation - Salary Escalation Rate - 100 basis points | **1,346.11** | 1,134.14 |
| Defined Benefit Obligation - Attrition Rate + 100 basis points | **1,436.18** | 1,226.07 |
| Defined Benefit Obligation - Attrition Rate - 100 basis points | **1,408.34** | 1,179.66 |
| Mortality rate 10% up | **1,423.30** | 1,204.68 |

**(v) Enterprise's Best Estimate of Contribution during Next Year**

The Company expects to contribute ₹ 400 Lakhs (previous year ₹ 80 Lakhs) to its gratuity plan for the next year.

**vi) Experience adjustments**

₹ Lakhs

| Particulars | Current Year | 2019-20 | 2018-19 | 2017-18 | 2016-17 |
|---|---|---|---|---|---|
| Defined Benefit Obligation | 1,422.85 | 1,203.75 | 1,219.54 | 1,339.83 | 1,261.91 |
| Plan Assets | 344.51 | 316.72 | 579.89 | 885.96 | 932.93 |
| Surplus / (Deficit) | (1,078.34) | (887.03) | (639.65) | (453.88) | (328.98)) |
| Experience Adjustments on Plan Liabilities – (Loss)/ Gain | (53.55) | (254.85) | 79.99 | (75.66) | (116.54) |
| Experience Adjustments on Plan Assets – Gain/(Loss) | 81.94 | (50.20) | 1.87 | 0.24 | 70.25 |

**36. CATEGORY-WISE CLASSIFICATION OF FINANCIAL INSTRUMENTS**

**The carrying value of financial instruments by categories as at 31st March 2021 were as follows:**

₹ Lakhs

| Particulars | Note | FVTPL | FVTOCI | Amortised Cost | Total Carrying Value |
|---|---|---|---|---|---|
| **Financial Assets:** | | | | | |
| Investments | **4** | **-** | **1,075.78** | **-** | **1,075.78** |
| Trade receivables | **8** | **-** | **-** | **10,197.56** | **10,197.56** |
| Cash and Cash equivalents | **9** | **-** | **-** | **109.55** | **109.55** |
| Other bank balance | **10** | **-** | **-** | **787.41** | **787.41** |
| Loans | **5 & 11** | **-** | **-** | **1,067.01** | **1,067.01** |
| Other Financial Assets | **12** | **-** | **-** | **47.49** | **47.49** |
| **Financial Liabilities:** | | | | | |
| Borrowings | **16 & 20** | **-** | **-** | **32,632.43** | **32,632.43** |
| Trade payables | **21** | **-** | **-** | **2,901.14** | **2,901.14** |
| Other Financial Liabilities excluding Current Maturities of long term debt | **17 & 22** | **-** | **-** | **3,258.85** | **3,258.85** |

**The carrying value of financial instruments by categories as at 31st March 2020 were as follows:** ₹ Lakhs

| Particulars | Note | FVTPL | FVTOCI | Amortised Cost | Total Carrying Value |
|---|---|---|---|---|---|
| **Financial Assets:** | | | | | |
| Investments | 4 | - | 1,089.26 | - | 1,089.26 |
| Trade receivables | 8 | - | - | 8,930.78 | 8,930.78 |
| Cash and Cash equivalents | 9 | - | - | 38.37 | 38.37 |
| Other bank balance | 10 | - | - | 764.04 | 764.04 |
| Loans | 5 & 11 | - | - | 811.15 | 811.15 |
| Other Financial Assets | 12 | - | - | 50.87 | 50.87 |
| **Financial Liabilities:** | | | | | |
| Borrowings | 16 & 20 | - | - | 30,807.80 | 30,807.80 |
| Trade payables | 21 | - | - | 4,532.22 | 4,532.22 |
| Other Financial Liabilities excluding Current Maturities of long term debt | 17 & 22 | - | - | 3,911.65 | 3,911.65 |

The management assessed that the fair value of cash and cash equivalents, trade receivables, loans,other financial assets, trade payables and other financial liabilities approximate the carrying amount largely due to short-term maturity of these instruments. The fair value of the financial assets and liabilities is included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

## 37. FAIR VALUE MEASUREMENT

**(a) Fair value hierarchy**

Fair value of the financial instruments is classified in various fair value hierarchies based on the following three levels:

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

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).

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

**(b) Level wise disclosure of financial instruments:** ₹ Lakhs

| Particulars | As at 31.03.2021 | | | | As at 31.03.2020 | | | |
|---|---|---|---|---|---|---|---|---|
| | Carrying Amt | Level 1 | Level 2 | Level 3 | Carrying Amt | Level 1 | Level 2 | Level 3 |
| **Financial assets measured at fair value through other comprehensive income (FVTOCI)** | | | | | | | | |
| Trade Investments in unquoted equity shares | **1,075.78** | | | **1,075.78** | | 1,089.26 | | 1,089.26 |
| **Financial assets measured at amortised cost** | | | | | | | | |
| Trade receivables | **10,197.56** | | | **-** | | 8,930.78 | | - |
| Cash and Cash equivalents | **109.55** | | | **-** | | 38.37 | | - |
| Other bank balance | **787.41** | | | **-** | | 764.04 | | - |
| Loans | **1,067.01** | | | **-** | | 811.15 | | - |
| Other Financial Assets | **47.49** | | | **-** | | 50.87 | | - |
| **Financial liabilities measured at amortised cost** | | | | | | | | |
| **Borrowings** | **32,632.43** | | | **-** | | 30,807.80 | | - |
| Trade payables | **2,901.14** | | | **-** | | 4,532.22 | | - |
| Other Financial Liabilities excluding Current Maturities of long term debt | **3,258.85** | | | **-** | | 3,911.65 | | - |

The Company has not disclosed the fair values for short term / current financial instruments (such as short term trade receivables, short term trade payables, Current Loans and Short term borrowings etc.,) because their carrying amounts are a reasonable approximation of Fair value.

**(c) Measurement of fair values:**

The basis of measurement in respect of each class of financial assets and liabilities are disclosed in significant accounting policies.

## 38. CAPITAL MANAGEMENT

The Company's capital management strategy is to effectively determine, raise and deploy capital so as to create value for its shareholders. The same is done through a mix of either equity and/or preference and/or convertible and/or combination of short term /long term debt as may be appropriate.

The Company determines the amount of capital required on the basis of its product, capital expenditure, operations and strategic investment plans. The same is funded through a combination of capital sources be it either equity and/or preference and/or convertible and/or combination of short term/long term debt as may be appropriate.

The Company regularly considers other financing and refinancing opportunities to diversify its debt profile, reduce interest cost and elongate the maturity of its debt portfolio, and closely monitors its judicious allocation amongst competing capital expansion projects and strategic acquisitions, to capture market opportunities at minimum risk.

The Company monitors its capital using gearing ratio, which is net debt divided to total equity. Net debt includes, interest bearing loans and borrowings less cash and cash equivalents, Bank balances other than cash and cash equivalents and current investments.

**The following table summarizes the capital of the company** ₹ Lakhs

| Particulars | 31.03.2021 | 31.03.2020 |
|---|---|---|
| Cash and cash equivalents | **109.55** | 38.37 |
| Other bank balances | **787.41** | 764.04 |
| **Total cash (a)** | **896.96** | **802.41** |
| Non-current borrowings | **10,459.89** | 12,265.39 |
| Current borrowings | **16,920.01** | 17,345.16 |
| Current maturities of non-current borrowings | **5,252.53** | 1,197.25 |
| **Total borrowings (b)** | **32,632.43** | **30,807.80** |
| **Net debt c=(b-a)** | **31,735.47** | **30,005.39** |
| **Total equity (d)** | **34,161.59** | **31,015.91** |
| **Gearing ratio (c/d)** | **0.93** | **0.97** |

## 39. FINANCIAL RISK MANAGEMENT - OBJECTIVES AND POLICIES

The Company’s financial liabilities comprise mainly of borrowings, trade payables and other payables. The Company’s financial assets comprise mainly of investments, cash and cash equivalents, other balances with banks, loans, trade receivables and other receivables.

In course of its business, the Company is exposed to certain financial risks that could have significant influence on the Company’s business and operational / financial performance. These include market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

The Board of Directors reviews and approves risk management framework and policies for managing these risks and monitors suitable mitigating actions taken by the management to minimise potential adverse effects and achieve greater predictablity to earnings.In line with the overall risk management framework and policies, the treasury function provides services to the business, monitors and manages through an analysis of the exposures by degree and magnitude of risks.

The Company uses derivative financial instruments to hedge risk exposures in accordance with the Company’s policies as approved by the board of directors.

### 1) Market Risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risks: interest rate risk, currency risk and other price risk. Financial instruments affected by market risk includes borrowings, investments, trade payables, trade receivables, loans and derivative financial instruments.

**a) Interest Rate Risk**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to interest rate risk because funds are borrowed at both fixed and floating interest rates. Interest rate risk is measured by using the cash flow sensitivity for changes in variable interest rate. The borrowings of the Company are principally denominated in rupees and US dollars with a mix of fixed and floating rates of interest.

**The following table provides a break-up of the Company's fixed and floating rate borrowings:** ₹ Lakhs

| Particulars | 31.03.2021 | 31.03.2020 |
|---|---|---|
| Fixed rate borrowings | **-** | - |
| Floating rate borrowings | **32,632.43** | 30,807.80 |
| **Total borrowings** | **32,632.43** | **30,807.80** |
| Total Net borrowings | **32,632.43** | 30,807.80 |
| Add: Upfront fees | **373.29** | 566.59 |
| **Total borrowings** | **33,005.72** | **31,374.39** |

The sensitivity analyses below have been determined based on the exposure to interest rates for floating rate liabilities, assuming the amount of the liability outstanding at the year-end was outstanding for the whole year.If interest rates had been 100 basis points higher / lower and all other variables were held constant, the Company's profit for the year ended 31st March 2021 would decrease / increase by ` 330.06 Lakhs (for the year ended 31st March 2020: decrease / increase by ₹ 313.74 Lakhs). This is mainly attributable to the Company's exposure to interest rates on its variable rate borrowings.

**b) Foreign Currency Risk**

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate due to changes in foreign exchange rates. The Company enters into forward exchange contracts with average maturity of less than 6 month to hedge against its foreign currency exposures relating to the recognised underlying liabilities and firm commitments. The Company's policy is to hedge its exposures above predefined thresholds from recognised liabilities and firm commitments that fall due in 20-30 days. The Company does not enter into any derivative instruments for trading or speculative purposes.

At the time of borrowing decisions, appropriate sensitivity analysis is carried out for domestic borrowings vis-à-vis overseas borrowings.

The carrying amounts of the Company's Unhedged monetary assets and monetary liabilities at the end of the reporting period are as follows:

₹ Lakhs

| Particulars | As at 31st March 2021 | | | As at 31st March 2020 | | |
|---|---|---|---|---|---|---|
| | USD | Euro | GBP/CHF | USD | Euro | GBP |
| Trade Receivables | **4,260.14** | **472.68** | **31.39** | 2,400.74 | 608.21 | 5.41 |
| Trade Payables | **-** | **(3.17)** | **(5.51)** | (490.55) | (7.92) | - |
| Packing Credit | **(7,812.87)** | **(432.69** | **(151.21)** | (6,474.74) | (214.80) | (20.09) |
| Derivatives | **-** | **(1,066.95)** | **-** | - | (3088.89) | - |
| **TOTAL** | **(3,552.73)** | **(1,030.13)** | **(125.33)** | **(4,564.55)** | **(2,703.40)** | **(14.68)** |

The carrying amounts of the Company's hedged monetary assets and monetary liabilities at the end of the reporting period are as follows:

| Particulars | As at 31st March 2021 | | | As at 31st March 2020 | | |
|---|---|---|---|---|---|---|
| | USD | Euro | GBP | USD | Euro | GBP |
| Trade & Other Payables | **(948.72)** | **-** | **-** | - | - | - |
| Packing Credit | **(511.77)** | - | - | (1,512.60) | - | - |
| **Total** | **(1460.49)** | | | **(1,512.60)** | | |

The below table demonstrates the sensitivity to a 5% increase or decrease in the respective currency against INR, with all other variables held constant. The sensitivity analysis is prepared on the net unhedged exposure of the Company as at the reporting date. 5% represents management's assessment of reasonably possible change in foreign exchange rate. A positive number below indicates an increase in profit or equity where INR strengthens 5% against the relevant currency. For a 5% weakening of INR against the relevant currency, there would be a comparable impact on profit or equity, and the balances below would be negative.

₹ Lakhs

| Change in Exchange Rate(+5% / -5%) | | Effect on PAT | |
|---|---|---|---|
| | | 2020-21 | 2019-20 |
| **USD** | +5% | **(177.64)** | (228.23) |
| | -5% | **177.64** | 228.23 |
| **EURO** | +5% | **(51.51)** | (135.17) |
| | -5% | **51.51** | 135.17 |
| **GBP/ CHF** | +5% | **(5.99)** | (0.73) |
| | -5% | **5.99** | 0.73 |

The forward exchange contracts entered into by the Company and outstanding are as under:

| As at | No. of Contracts | Type | USD Equivalent ₹ Lakhs | INR Equivalent (₹ in Lakhs) |
|---|---|---|---|---|
| **31-Mar-21** | **6** | **Buy** | **(19.28)** | **(1,409.44)** |
| | **3** | **Sell** | **7.00** | **511.77** |
| **31-Mar-20** | 26 | Buy | (20.00) | (1,512.60) |
| | - | Sell | - | - |

### c) Commodity Price Risk

The Company's revenue is exposed to the market risk of price fluctuations related to its raw material i.e., Cotton. Market forces generally determine prices for the cotton procured by the Company. These prices may be influenced by factors such as supply and demand, production costs (including the costs of raw material inputs) and global and regional economic conditions and growth. Adverse changes in any of these factors may increase the Cost of Production that the Company incurs for manufacture of Yarn.

The following table details the Company's sensitivity to a 5% movement in the input price of Cotton. The sensitivity analysis includes only 5% change in commodity prices for quantity consumed during the year, with all other variables held constant. A positive number below indicates an increase in profit where the commodity prices reduces by 5%. For a 5% increase in commodity prices, there would be a comparable impact on profit, and the balances below would be negative.

₹ Lakhs

| Commodity | Increase | | Decrease | |
|---|---|---|---|---|
| | 2020-21 | 2019-20 | 2020-21 | 2019-20 |
| Cotton | **(1,706.45)** | (2,099.72) | **1,706.45** | 2,099.72 |

### 2) Credit Risk

Credit risk refers to risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. Credit risk arises primarily from financial assets such as trade receivables, investment in mutual funds, derivative financial instruments, other balances with banks, loans and other receivables. To manage the credit risk, the company periodically assesses the financial reliability of customers, taking into account the financial condition, current economic trends, and analysis of historical bad debts and ageing of account receivables. Individual risk limits are set accordingly.

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

The average credit period on sales of products is 21 to 70 days. However, it has been extended to 90 days due to the Global pandemic. Credit risk arising from trade receivables is managed in accordance with the Company's established policy, procedures and control relating to customer credit risk management. Credit quality of a customer is assessed based on a detailed study of credit worthiness and accordingly individual credit limits are defined/modified. The concentration of credit risk is limited due to the fact that the customer base is large.

**Information about major customers**

Customers with more than 5% of the total value of trade receivables as at 31st March 2021 and 31st March 2020 are as follows:

₹ Lakhs

| Particulars | No. of Parties | Amount Outstanding | Percent | No of Parties | Amount outstanding | Percent |
|---|---|---|---|---|---|---|
| **Customers** | | | | | | |
| - within India | 2 | 1672.78 | 15.94% | - | - | - |
| - Outside India | - | - | - | - | - | - |

**3) Liquidity Risk**

Liquidity risk is the risk that the Company will encounter difficulty in raising funds to meet commitments associated with financial instruments that are settled by delivering cash or another financial asset. Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value.

The Group's treasury department is responsible for maintenance of liquidity (including quasi liquidity), continuity of funding as well as timely settlement of debts. In addition, policies related to mitigation of risks are overseen by senior management. Management monitors the Group's net liquidity position on the basis of expected cash flows vis a vis debt service fulfillment obligation.

The table below analysis derivative and non-derivative financial liabilities of the Company into relevant maturity groupings based on the remaining period from the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

| Particulars | On demand | Less than 1 year | Between 1 to 5 years | Over 5 years | Total | Carrying value |
|---|---|---|---|---|---|---|
| **At 31st March, 2021** | | | | | | |
| Long term borrowings | | **5,252.53** | **10459.89** | **-** | **15,712.42** | **15,712.42** |
| Short term borrowings | **16,920.01** | **-** | **-** | **-** | **16,920.01** | **16,920.01** |
| Trade payables | **-** | **2,901.14** | **-** | **-** | **2,901.14** | **2,901.14** |
| Derivative financial liabilities | | **186.95** | **-** | **-** | **186.95** | **186.95** |
| Other financial liabilities | | **3,065.23** | **193.62** | **-** | **3,258.85** | **3,258.85** |
| **At 31st March, 2020** | | | | | | |
| Long term borrowings | - | 1197.25 | 12,265.39 | - | 13,462.64 | 13,462.64 |
| Short term borrowings | 17,345.16 | - | - | - | 17,345.16 | 17,345.16 |
| Trade payables | - | 4,532.22 | - | - | 4,532.22 | 4,532.22 |
| Derivative financial liabilities | - | 33.46 | 415.44 | - | 448.90 | 448.90 |
| Other financial liabilities | - | 3,211.08 | 285.13 | - | 3,496.21 | 3,496.21 |

₹ Lakhs

| | As at 31st March 2021 | As at 31st March 2020 |
|---|---|---|
| **40.** Estimated amount of contracts remaining to be executed on capital account and not provided for | **44.11** | 36.24 |

**41. Contingent Liabilities:**

| **Contingent liabilities in respect of :** | As at 31st March 2021 | As at 31st March 2020 |
|---|---|---|
| Bills discounted | **873.11** | 639.23 |
| Guarantees | **219.21** | 219.21 |
| Letters of credit outstanding | **940.48** | 1,230.46 |
| **Contingent liabilities under litigation :** | | |
| Disputed Statutory Liabilities not provided for | **294.29** | 271.06 |
| Disputed Other Liabilities not provided for | **66.65** | 66.65 |

**42.** Power and Fuel is net of wind power income of ₹ 180.99 lakhs (PY ₹ 211.09 lakhs) representing power supplied to the grid against which equivalent consumption was made in house

**43. Disclosure relating to suppliers registered under Micro, Small and Medium Enterprise Development Act, 2006:** ₹ Lakhs

| Particulars | As at 31st March 2021 | As at 31st March 2020 |
|---|---|---|
| The principal amount and the interest due thereon remaining unpaid to any supplier as at the end of each accounting year included in: Principal amount due to micro, small and medium enterprises | **112.38** | 80.87 |
| Interest due on above | **6.07** | 4.67 |
| **Total** | **118.45** | **85.54** |
| The amount of interest paid by the buyer in terms of section 16 of the MSMED Act, 2006 along with the amounts of the payment made to the supplier beyond appointed day. | **-** | - |
| The amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointment day during the year) but without adding the interest specified under the MSMED Act, 2006. | **-** | - |
| The amount of interest accrued and remaining unpaid at the end of each accounting year. | **6.07** | 4.67 |
| The amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid for the purpose of disallowance as a deductible under section 23 of the MSMED Act, 2006. | **-** | - |
| The Company has disclosed the suppliers who have registered themselves under "Micro, Small and Medium Enterprises Development Act, 2006" to the extent they have identified on the basis of information available with the Company in respect of the registration status of its vendors. | | |

**44. Disclosure relating to the exchange gain / loss arising out on restatement of long term foreign currency monetary items.**

₹ Lakhs

| Particulars | As at 31st March 2021 | As at 31st March 2020 |
|---|---|---|
| a. Exchange difference capitalized during the year | **-** | - |
| b. Depreciation provision charged to Profit & Loss a/c thereon | **25.15** | **23.42** |
| c. Exchange difference pertaining to assets sold during the year | **-** | - |
| d. Remaining amount to be amortized* | **219.89** | **245.04** |

* The company amortizes only 95% of the value of its fixed assets.

**45. Corporate Social Responsibility:**

The average net profit of the immediately preceeding three financial years is negative, accordingly, the company is not mandated to spend any amount towards CSR activitities for the financial year 2020-21.

**46.** Foreign Exchange gain / (loss) (net) includes foreign exchange gain / (loss) arising out of restatement of foreign currency assets / liabilities / derivatives amounting to ₹ 288.77 lakhs (PY - ₹ (20.67 lakhs) )

**47. Related Party Disclosure :**

**List of related parties with whom transactions have taken place and their relationship**

| | | |
|---|---|---|
| Holding Co | : | Nil |
| Subsidiaries | : | Suprem Associates (Partnership firm) |
| Key Management Personnel (KMP) | : | Mr. Ashwin Chandran (Chairman and Managing Director), |
| | | Mr. Prashanth Chandran (Vice Chairman & Managing Director) |
| | | Mr.T.Kumar (Executive Director) |
| | | Mr.Sumanth Ramamurthi (Non Excecutive Director) |
| | | Mr.Jairam Varadaraj (Non Excecutive Director) |
| | | Mr.C.N.Srivatsan (Non Executive Director) |
| | | Mrs. R.Bhuvaneshwari (Non Executive Director) |
| | | Mr.P.Vijay Raghunath ((Non Executive Director) |
| **Others** | | |
| Relative of KMP | | Mr.Sarath Chandran |
| Enterprise in which KMP has control | | Ashwanth Primarius Enterprises. LLP |
| | | Suprem Enterprises |

₹ Lakhs

| Nature of Transactions | FY 2020 -21 | | | FY 2019 - 20 | | |
|---|---|---|---|---|---|---|
| | Subsidiaries | KMP | Others | Subsidiaries | KMP | Others |
| Remuneration paid | - | 210.72 | 0.56 | - | 232.90 | 0.12 |
| Commission paid | - | 120.45 | 29.44 | - | - | - |
| Sitting fees paid | - | 6.78 | - | - | 6.45 | |
| Interest paid | - | - | 125.00 | - | - | 35.45 |
| Royalty paid | - | - | 2.31 | - | - | - |
| Loans received | - | - | - | - | - | 1,000.00 |
| Amount payable | - | 120.45 | 1,030.04 | - | 24.43 | 1,000.00 |

The remuneration to KMP does not include the provision made for gratuity as they are determined on an actuarial basis for the company as a whole.

## 48. Leases

The Company has adopted Ind AS 116 "Leases" on all lease contracts with effect from April 1,2019. The disclosures as required under the standard are given below:

**(i) The movement in lease liabilities is as follows:**

| Particulars | 31.03.2021 | 31.03.2020 |
|---|---|---|
| Balance at the beginning of the year | **368.28** | - |
| Addition on account of Ind AS 116 as at April 1, 2019 | **-** | - |
| Additions during the year | **-** | 387.85 |
| Reclassification from prepayment | **(4.55)** | - |
| Finance cost accrued during the year | **30.78** | 8.95 |
| Payment of lease liabilities | **(109.39)** | (28.52) |
| **Balance at the end of the year** | **285.12** | **368.28** |
| Current lease liabilities | **91.50** | 83.15 |
| Non-current lease liabilities | **193.62** | 285.13 |
| **Amount recognised in Statement of Profit & Loss** | | |
| Interest on lease liabilities | **30.78** | 8.95 |
| Depreciation on right-of-use assets | **127.78** | 54.93 |

**(ii) Details of the contractual maturities of lease liabilities on an undiscounted basis are as follows:**

| Particulars | 31.03.2021 | 31.03.2020 |
|---|---|---|
| Less than one year | **91.50** | 83.15 |
| One to five years | **193.62** | 285.13 |
| More than five years | **-** | - |
| Total | **285.12** | 368.28 |

**(iii) Detailed leasing arrangements:**

| Particulars | As at 31st March 2021 | As at 31st March 2020 |
|---|---|---|
| Expenses relating to short-term leases | **15.95** | 15.15 |
| Expenses relating to leases of low-value assets | **10.97** | 8.51 |

## 49. Operating Segments

The company is in the business of manufacturing textile products which are regularly reviewed by the Chief Financial Officer for assessment of company's performance and resource allocation.

The information relating to revenue from Cotton yarn and Technical Textile product sale and location of non current assets of its single reportable segment has been disclosed below:

**a) Revenue from Operations**

₹ Lakhs

| Particulars | As at 31st March 2021 | As at 31st March 2020 |
|---|---|---|
| Within India | **37,013.81** | 42,597.66 |
| Outside India | **27,222.75** | 27,044.25 |
| **Total** | **64,236.56** | **69,641.91** |

**b) Non current assets:**

All non current assets of the company are located in India.

**50. Disclosure as required under section 186(4) of the Companies Act, 2013**

Loans given and Guarantees given by the company: Nil (PY: Nil)

Investments made are given under the respective head.

**51. Disclosure as required under Regulation 34 (3) and 53(f) of Securities Exchange Board of India (Listing Obligation and Disclosure Requirements) Regulation, 2015.**

| Particulars | As at 31st March 2021 | Maximum balance outstanding during the year | Investment by the loanee in the shares of Parent Company |
|---|---|---|---|
| Loans and Advances in the nature of loans given to subsidiaries | - | - | - |

52 Additional information as required under Schedule III to the Companies Act, 2013 of entities Consolidated as Subsidiary

₹ Lakhs

| Name of the Entity | Net Assets | | Share in Profit & loss | |
|---|---|---|---|---|
| | As a % of Consolidated Net Assets | Amount | As a % of Consolidated Profit / (Loss) | Amount |
| **Parent Company**<br>Precot Limited (Formerly Precot Meridian Ltd) | **93.15%** | **31,821.59** | 100.00% | 3,145.68 |
| **Subsidiary**<br>Suprem Associates | **6.85%** | **2,340.00** | - | - |

**53.** The Code on Social Security 2020 has been notified in the Official Gazette on 29th September 2020, the effective date from which the changes are applicable is yet to be notified and the rules are yet to be framed. Impact, if any, of the change will be assessed and accounted in the period in which the said code becomes effective and the rules framed thereunder are published.

**54.** The companies operations were adversely impacted with outbreak of Covid-19 pandemic during the first half of the financial year 2020-21. The situation is continuously evolving, the impact assessed may be different from the estimates made as at the date of approval of these financial statements. The management will continue to monitor the material changes arising due to the impact of this pandemic on financial and operational performance of the company and take necessary measures to address the situation.

**55.** The amounts and disclosures included in the financial statements of the previous year have been reclassified whenever necessary to conform to the current year's classification.

**56.** All figures are in lakhs unless otherwise stated and rounded off to the nearest two decimals.

Vide our report of even date attached
**For VKS Aiyer & Co**
Chartered Accountants
ICAI Firm Reg.No.: 000066S

**Kaushik Sidartha**
Partner
M.No. : 217964

Place : Coimbatore
Date : 10-June-2021

For and on behalf of the Board of Directors

**Ashwin Chandran**
Chairman and Managing Director
(DIN : 00001884)

**A P Ramkumar**
Chief Financial Officer

**Prashanth Chandran**
Vice Chairman and Managing Director
(DIN : 01909559)

**S Kavitha**
Company Secretary
(FCS No. 8710)

**Notice** is hereby given that the 59th Annual General Meeting of the shareholders of the Company will be held on, Friday, 17th September 2021 at 4.00 PM at through Video Conference ("VC") / Other Audio Visual Means ("OAVM") ("hereinafter referred to as "electronic mode") to transact the following business:

**Ordinary Business:**

1. **Adoption of financial statements**

   To consider and if thought fit, to pass the following resolution as an **Ordinary Resolution**:

   **RESOLVED** that the audited annual financial statements of the Company for the year ended 31st March 2021 including audited balance sheet as at 31st March 2021, statement of profit and loss, cash flow statement and consolidated financial statements for the year ended on that date, together with the Directors' report and the auditors' report thereon as presented to the meeting, be and are hereby, approved and adopted.

2. To appoint a Director in place of **Mr Prashanth Chandran (DIN: 01909559),** who retires by rotation and being eligible, offers himself for re-appointment

   To consider and if thought fit, to pass the following resolution as an **Ordinary Resolution**:

   **RESOLVED** that pursuant to the provisions of Section 152 and other applicable provisions, if any, of the Companies Act, 2013, approval of the members of the Company be and is hereby accorded to the re-appointment of Mr Prashanth Chandran (DIN: 01909559), who retires by rotation and being eligible offers him self for reappointment, as a Director.

**Special Business:**

3. **Re-appointment of Mr Vijay Raghunath (DIN: 00002963) as Independent Director**

   To consider and if thought fit, to pass with or without modification, the following resolution as **special resolution**:

   **RESOLVED THAT** pursuant to the provisions of Section 149 and 152 read with Schedule IV and other applicable provisions, if any , of the Companies Act, 2013 and the Rules made there under, SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and such other applicable regulations, including any amendments or statutory modifications thereof for the time being inforce, as recommended by the Nomination and Remuneration Committee, Mr Vijay Raghunath (DIN: 00002963), whose term of office as an independent Director comes to an end on 31-May-2022, being eligible, be and is hereby re-appointed as an independent Director of the Company under Section 160 of the Act, for a term of 5 (five) consecutive years effective from 01-Jun-2022 to 31-May-2027.

4. **Revision of remuneration payable to Mr Ashwin Chandran (DIN :00001884)**

   To consider and if thought fit, to pass with or without modification, the following resolution as **Special Resolution**:

   **RESOLVED THAT** pursuant to the provisions of Sections 196 and 197 read with Schedule V and other applicable provisions of the Companies Act, 2013 ('the Act') and the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 and SEBI (LODR) Regulations, 2015, including any amendments or statutory modifications thereof for the time being in force, the remuneration payable to Mr Ashwin Chandran (DIN :00001884), Chairman and Managing Director of the Company be and is hereby revised with effect from 01st April, 2021 up to the end of current tenure of office as follows:

I. **Basic Salary:** Rs.4,00,000 per month with an annual increment of 8% of the Salary

II. **Commission:** 1.50% of the net profit computed in accordance with Section 198 of the Act.

III. **Perquisites and Allowances**

   1. Housing - Unfurnished rent free accommodation with amenities will be provided by the Company.

   2. Special Allowance - 50% of the Salary

3. The following perquisites shall be allowed subject to a maximum of 50% of the Salary.

   a. Reimbursement of medical expenses incurred for self and their family.

   b. Leave travel concession for self and their family.

   In any year, if the perquisites specified in Clause (3) are not availed in full, the unutilized portion of the limit shall be encashed at the end of the respective year.

4. Provision of telephones with internet facilities and cars with driver.

   He shall also be eligible for the following benefits which shall not be included in the computation of ceiling on the remuneration.

5. Contribution to Provident Fund as per the rules of the Company to the extent these either singly or put together are not taxable under the Income Tax Act.

6. Payment of Gratuity at the end of the tenure not exceeding 15 days salary for each completed year of service or at the rate as may be notified by the Government from time to time.

   **RESOLVED FURTHER THAT** further that in the event of no profits or inadequacy of profits, the remuneration payable to Mr Ashwin Chandran shall not exceed the limits specified in Section II of Part II of Schedule V of the Act or such other limits as may be notified by the Government from time to time.

   **RESOLVED FURTHER THAT** the Board of Directors or any Committee thereof, be and are hereby authorized to alter or vary the component and elements of remuneration payable to Mr Ashwin Chandran, within the overall limits under the Act and to do all such acts, deeds, things and execute all such documents, instruments and forms as may be required and to give effect to this resolution.

   **RESOLVED FURTHER THAT** the Board of Directors or Key Managerial Personnel of the Company be and are hereby authorised to do all such acts,deeds, things and execute all such documents, instruments and forms as may be required and to give effect to this resolution.

2. **Revision of remuneration payable to Mr Prashanth Chandran (DIN :01909559)**

   To consider and if thought fit, to pass with or without modification, the following resolution as **Special Resolution:**

   **RESOLVED THAT** pursuant to the provisions of Sections 196 and 197 read with Schedule V and other applicable provisions of the Companies Act, 2013 ('the Act') and the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 and SEBI (LODR) Regulations, 2015, including any amendments or statutory modifications thereof for the time being in force, he remuneration payable to Mr Prashanth Chandran (DIN :01909559) , Vice Chairman and Managing Director of the Company be and is hereby revised with effect from 01st April, 2021 up to the end of current tenure of office as follows:

I. **Basic Salary:** Rs.3,60,000 per month with an annual increment of 8% of the Salary

II. **Commission:** 1.50% of the net profit computed in accordance with Section 198 of the Act.

III. **Perquisites and Allowances**

1. Housing - Unfurnished rent free accommodation with amenities will be provided by the Company.

2. Special Allowance - 50% of the Salary

3. The following perquisites shall be allowed subject to a maximum of 50% of the Salary.

a. Reimbursement of medical expenses incurred for self and their family.

b. Leave travel concession for self and their family.

   In any year, if the perquisites specified in Clause (3) are not availed in full, the unutilized portion of the limit shall be encashed at the end of the respective year.

4. Provision of telephones with internet facilities and cars with driver.

He shall also be eligible for the following benefits which shall not be included in the computation of ceiling on the remuneration.

5. Contribution to Provident Fund as per the rules of the Company to the extent these either singly or put together are not taxable under the Income Tax Act.

6. Payment of Gratuity at the end of the tenure not exceeding 15 days salary for each completed year of service or at the rate as may be notified by the Government from time to time.

**RESOLVED FURTHER THAT** further that in the event of no profits or inadequacy of profits, the remuneration payable to Mr Prashanth Chandran shall not exceed the limits specified in Section II of Part II of Schedule V of the Act or such other limits as may be notified by the Government from time to time.

**RESOLVED FURTHER THAT** the Board of Directors or any Committee thereof, be and are hereby authorized to alter or vary the component and elements of remuneration payable to Mr Prashanth Chandran, within the overall limits under the Act and to do all such acts, deeds, things and execute all such documents, instruments and forms as may be required and to give effect to this resolution.

**RESOLVED FURTHER THAT** the Board of Directors or Key Managerial Personnel of the Company be and are hereby authorised to do all such acts,deeds, things and execute all such documents, instruments and forms as may be required and to give effect to this resolution.

6. **Revision of remuneration payable to Mr T Kumar (DIN :07826033)**

To consider and if thought fit, to pass with or without modification, the following resolution as Special Resolution:

**RESOLVED THAT** pursuant to the provisions of Sections 196 and 197 read with Schedule V and other applicable provisions of the Companies Act, 2013 ('the Act') and the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 and SEBI (LODR) Regulations, 2015, including any amendments or statutory modifications thereof for the time being in force, the remuneration payable to Mr T Kumar (DIN :07826033), Executive Director of the Company be and is hereby revised with effect from 01st April, 2021 up to the end of current tenure of office as follows:

I. **Basic Salary:** Rs.3,10,000 per month with an annual increment of 8% of the Salary

II. **Commission:** 0.50% of the net profit computed in accordance with Section 198 of the Act.

III. **Perquisites and Allowances**

1. HRA - 50% of the Salary

2. The following perquisites shall be allowed subject to a maximum of 50% of the Salary.

   a. Reimbursement of medical expenses incurred for self and his family.

   b. Leave travel concession for self and his family.

In any year, if the perquisites specified in Clause (2) are not availed in full, the unutilized portion of the limit shall be encashed at the end of each month.

3. Provision of telephones with internet facilities and cars with driver.

   He shall also be eligible for the following benefits which shall not be included in the computation of ceiling on the remuneration.

4. Contribution to Provident Fund as per the rules of the Company to the extent these either singly or put together are not taxable under the Income Tax Act.

5. Payment of Gratuity at the end of the tenure not exceeding 15 days salary for each completed year of service or at the rate as may be notified by the Government from time to time.

**RESOLVED FURTHER THAT** further that in the event of no profits or inadequacy of profits, the remuneration payable to Mr T Kumar shall not exceed the limits specified in Section II of Part II of Schedule V of the Act or such other limits as may be notified by the Government from time to time.

**RESOLVED FURTHER THAT** the Board of Directors or any Committee thereof, be and are hereby authorized to alter or vary the component and elements of remuneration payable to Mr T Kumar, within the overall limits under the Act and to do all such acts, deeds, things and execute all such documents, instruments and forms as may be required and to give effect to this resolution.

**RESOLVED FURTHER THAT** the Board of Directors or Key Managerial Personnel of the Company be and are hereby authorised to do all such acts, deeds, things and execute all such documents, instruments and forms as may be required and to give effect to this resolution.

7. **Ratification of remuneration payable to cost auditor**

To consider and if thought fit, to pass the following resolution as an **Ordinary Resolution :**

**RESOLVED THAT** pursuant to the provisions of Section 148 and other applicable provisions, if any, of the Companies Act, 2013, read with the Companies (Audit and Auditors) Rules, 2014 (including any statutory modification(s) or amendments thereof, for the time being in force), the remuneration of Rs.3.00 lakhs, in addition to reimbursement of travel and out-of-pocket expenses, payable to Mr A R Ramasubramania Raja,Cost Accountant (Registration 32458), who was appointed as Cost Auditor of the Company to conduct the audit of the cost records for the financial year 2021-22 as recommended by the Audit Committee and approved by the Board of Directors of the Company, be and is hereby ratified.

**RESOLVED FURTHER THAT** the Board of Directors of the Company, be and are hereby authorised to do all acts and take all such steps as may be necessary, proper or expedient to give effect to this resolution.

By order of the Board
**S Kavitha**
Company Secretary

Coimbatore
10-June-2021

**NOTES:**

1. In view of the continuing Covid-19 pandemic, the Ministry of Corporate Affairs (“MCA”) has vide its Circular No. 02 dated January 13, 2021 read with Circular No.20 dated May 05, 2020 permitted the holding of Annual General Meeting through VC or OAVM without the physical presence of Members at a common venue. In compliance with these MCA Circulars and the relevant provisions of the Companies Act, 2013 and the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Annual General Meeting of the Members of the Company is being held through VC/OAVM.

2. **Pursuant to the provisions of the Companies Act, 2013, a Member entitled to attend and vote at the Annual General Meeting is entitled to appoint a proxy to attend and vote on his/her behalf and the proxy need not be a Member of the Company. Since this AGM is being held pursuant to the MCA Circulars through VC/OAVM, physical attendance of Members has been dispensed with. Accordingly, the facility for appointment of proxies by the Members will not be available for the Annual General Meeting and hence the Proxy Form and Attendance Slip are not annexed to the Notice.**

3. Institutional/Corporate Shareholders (i.e. other than individuals/HUF, NRI, etc) are required to send a scanned copy (PDF/JPEG Format) of its Board Resolution or governing body Resolution/Authorisation etc., authorising its representative to attend the Annual General Meeting through VC/OAVM on its behalf and to vote through remote e-voting. The said Resolution/Authorization shall be sent to the Scrutinizer by email through their registered email address to csduraifcs@gmail.com, with copies marked to the Company at kavitha@precot.com and to its RTA at coimbatore@linkintime.co.in.

4. The Register of Members and Share Transfer books of the Company will remain closed from 11$^{th}$ Sep,2021 to 17$^{th}$ Sep,2021 (both days inclusive).

5. The explanatory statement pursuant to Section 102 of the Act, with respect to Special Businesses set out in the Item Nos. 3 to 7 above are annexed hereto.

6. Pursuant to the provisions of Section 124 of the Act, dividends remaining unclaimed for a period of seven years from the date they became due for payment are required to be transferred to the Investor Education and Protection Fund (IEPF) established by the Central Government in accordance with the provisions of Section 125 of the Act. Pursuant to the provisions of Investor Education and Protection Fund Authority (Accounting, Audit, Transfer and Refund) Rules, 2016, the Company has uploaded the details of unpaid and unclaimed amounts lying with the Company as on 24$^{th}$ Sep 2020 (date of last Annual General Meeting) on the website of the Company http://www.precot.com/investorrelations/ as also on the website of the Ministry of Corporate Affairs.

   During the financial year 2021-22, the Company will transfer unclaimed dividend for the financial year 2013-14 to the IEPF.

   Members are requested to note that all shares in respect of which dividend remain unpaid or unclaimed for seven consecutive years or more, are required to be transferred to the Investor Education and Protection Fund (IEPF) Suspense Account.

7. Members holding shares in physical form are requested to intimate, indicating their folio number, the changes, if any, in their registered addresses/change of bank account, either to the Company or its registrar and share transfer agent Link Intime India Private Limited.

8. Members who are holding shares in Electronic form are requested to intimate immediately their change of address/change of bank account, if

any, to their respective Depository Participant.

9. Members who hold shares in physical form in multiple accounts in identical names or joint accounts in the same order of names are requested to send the share certificates to the Company's registrar and share transfer agent, Link Intime India Private Limited for consolidation into a single account.

10. The Notice of the Annual General Meeting along with the Annual Report for the financial year 2020-21 is being sent only by electronic mode to those Members whose email addresses are registered with the Company/Depositories in accordance with the aforesaid MCA Circulars and circular issued by SEBI dated January 15, 2021. Members may note that the Notice of Annual General Meeting and Annual Report for the financial year 2020-21 will also be available on the Company's website http://www.precot.com/investor-relations/; websites of the National Stock Exchange of India Ltd at www.nseindia.com Members can attend and participate in the Annual General Meeting through VC/OAVM facility only.

11. Members attending the meeting through VC/OAVM shall be counted for the purposes of reckoning the quorum under Section 103 of the Companies Act, 2013.

12. Registration of email ID and Bank Account details:

    In case the shareholder's email ID is already registered with the Company/its Registrar & Share Transfer Agent “RTA”/Depositories, log in details for e-voting are being sent on the registered email address.

    In case the shareholder has not registered his/her/their email address with the Company/its RTA/Depositories and or not updated the Bank Account mandate for receipt of dividend, the following instructions to be followed:

(i) Kindly log in to the website of our RTA, Link Intime India Private Ltd., www.linkintime.co.in under Investor Services > Email/Bank detail Registration - fill in the details and upload the required documents and submit.

OR

(ii) In the case of Shares held in Demat mode:

    The shareholder may please contact the Depository Participant (“DP”) and register the email address and bank account details in the demat account as per the process followed and advised by the DP.

13. The physical copies of the documents will also be available at the Company's Registered Office for inspection during normal business hours on working days.

14. In compliance with Section 108 of the Companies Act, 2013, rule 20 of the Companies (Management and Administration) amendment rules, 2015, and regulation 44 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 the Company has provided a facility to the members to exercise their votes electronically through the electronic voting service facility arranged by Link Intime India Private Limited.

    Mr K Duraisami, Company Secretary has been appointed as the scrutinizer to scrutinize remote e-voting process in a fair and transparent manner. The results of e-voting along with voting by ballot at the Annual General Meeting to be held on 17$^{th}$ September, 2021 will be announced by the Chairman of the meeting within 48 hours of the Annual General Meeting. The results of the voting will be hosted on the website of the Company, i.e., www.precot.com, website of Link Intime and will also be intimated to stock exchange after declaration of results by the Chairman.

**Login method for individual shareholders folding securities is demat model physcial mode is given below.**

| Type of shareholders | Login Method |
|---|---|
| **Individual Shareholders holding securities in demat mode with NSDL** | • If you are already registered for NSDL IDeAS facility, please visit the e-Services website of NSDL. Open web browser by typing the following URL: https://eservices.nsdl.com either on a Personal Computer or on a mobile. Once the home page of e-Services is launched, click on the “Beneficial Owner” icon under “Login” which is available under 'IDeAS' Section. A new screen will open. You will have to enter your User ID and Password.<br>• After successful authentication, you will be able to see e-Voting services. Click on “Access to e-Voting” under e-Voting services and you will be able to see e-Voting page. Click on Company name or e-Voting service provider name and you will be re-directed to e-Voting service provider website for casting your vote during the remote e-Voting period or joining virtual meeting & voting during the meeting.<br>• If the user is not registered for IDeAS e-Services, option to register is available at https://eservices.nsdl.com. Select “Register Online for IDeAS “Portal or clickat https://eservices.nsdl.com/SecureWeb/IdeasDirectReg.jsp<br>• Visit the e-Voting website of NSDL. Open web browser by typing the following URL: https://www.evoting.nsdl.com/ either on a Personal Computer or on a mobile. Once the home page of e-Voting system is launched, click on the icon “Login” which is available under 'Shareholder/Member' Section. A new screen will open. You will have to enter your User ID (i.e. your sixteen digit demat account number hold with NSDL), Password/OTP and a Verification Code as shown on the screen. After successful authentication, you will be redirected to NSDL Depository site wherein you can see e-Voting page. Click on Company name or e-Voting service provider name and you will be redirected to e-Voting service provider website for casting your vote during the remote e-Voting period or joining virtual meeting & voting during the meeting. |
| **Individual Shareholders holding securities in demat mode with CDSL** | • Existing user of who have opted for Easi / Easiest, they can login through their user id and password. Option will be made available to reach e-Voting page without any further authentication. The URL for users to login to Easi / Easiest are https://web.cdslindia.com/myeasi/home/login or www.cdslindia.com and click on New System Myeasi.<br>• After successful login of Easi / Easiest the user will be also able to see the E Voting Menu. The Menu will have links of e-Voting service provider i.e. NSDL, KARVY, LINK NTIME, CDSL. Click on e-Voting service provider name to cast your vote.<br>• If the user is not registered for Easi/Easiest, option to register is available at https://web.cdslindia.com/myeasi./Registration/EasiRegistration |

<table>
<tr><th>Type of shareholders</th><th>Login Method</th></tr>
<tr><td></td><td><ul><li>Alternatively, the user can directly access e-Voting page by providing demat Account Number and PAN No. from a link in www.cdslindia.com home page. The system will authenticate the user by sending OTP on registered Mobile & Email as recorded in the demat Account. After successful authentication, user will be provided links for the respective ESP where the E Voting is in progress.</li></ul></td></tr>
<tr><td>Individual Shareholders (holding securities in demat mode) & login through their depository participants</td><td><ul><li>You can also login using the login credentials of your demat account through your Depository Participant registered with NSDL/CDSL for e-Voting facility.</li><li>Once login, you will be able to see e-Voting option. Once you click on e-Voting option, you will be redirected to NSDL/CDSL Depository site after successful authentication, wherein you can see e-Voting feature. Click on Company name or e-Voting service provider name and you will be redirected to e-Voting service provider website for casting your vote during the remote e-Voting period or joining virtual meeting & voting during the meeting.</li></ul></td></tr>
<tr><td>Individual Shareholders holding securities in Physical mode & evoting service Provider is LINKINTIME.</td><td>1. Open the internet browser and launch the URL: https://instavote.linkintime.co.in<br>▸ Click on “Sign Up” under 'SHARE HOLDER' tab and register with your following details: -<br>A. User ID: Shareholders/ members holding shares in physical form shall provide Event No + Folio Number registered with the Company.<br>B. PAN: Enter your 10-digit Permanent Account Number (PAN) (Members who have not updated their PAN with the Depository Participant (DP)/ Company shall use the sequence number provided to you, if applicable.<br>C. DOB/DOI: Enter the Date of Birth (DOB) / Date of Incorporation (DOI) (As recorded with your DP / Company - in DD/MM/YYYY format)<br>D. Bank Account Number: Enter your Bank Account Number (last four digits), as recorded with your DP/Company.<ul><li>Shareholders/ members holding shares in physical form but have not recorded 'C' and 'D', shall provide their Folio number in 'D' above</li><li>Set the password of your choice (The password should contain minimum 8 characters, at least one special Character (@!#$&*), at least one numeral, at least one alphabet and at least one capital letter).</li></ul></td></tr>
</table>

| Type of shareholders | Login Method |
|---|---|
| | Click "confirm" (Your password is now generated).<br>2. Click on 'Login' under 'SHARE HOLDER' tab.<br>3. Enter your User ID, Password and Image Verification (CAPTCHA) Code and click on 'Submit'.<br>4. After successful login, you will be able to see the notification for e-voting. Select 'View' icon.<br>5. E-voting page will appear.<br>6. Refer the Resolution description and cast your vote by selecting your desired option 'Favour / Against' (If you wish to view the entire Resolution details, click on the 'View Resolution' file link).<br>7. After selecting the desired option i.e. Favour / Against, click on 'Submit'. A confirmation box will be displayed. If you wish to confirm your vote, click on 'Yes', else to change your vote, click on 'No' and accordingly modify your vote. |

**Institutional shareholders:**

Institutional shareholders (i.e. other than Individuals, HUF, NRI etc.) and Custodians are required to log on the e-voting system of LIIPL at https://instavote.linkintime.co.in and register themselves as 'Custodian / Mutual Fund / Corporate Body'. They are also required to upload a scanned certified true copy of the board resolution /authority letter/power of attorney etc. together with attested specimen signature of the duly authorised representative(s) in PDF format in the 'Custodian / Mutual Fund / Corporate Body' login for the Scrutinizer to verify the same.

**Individual Shareholders holding securities in Physical mode & e-voting service Provider is LINKINTIME, have forgotten the password:**

- Click on **'Login'** under **'SHARE HOLDER'** tab and further Click 'forgot password?'
- Enter **User ID,** select **Mode** and Enter Image Verification (CAPTCHA) Code and Click on **'Submit'.**

In case shareholders/ members is having valid email address, Password will be sent to his / her registered e-mail address.

Shareholders/ members can set the password of his/her choice by providing the information about the particulars of the Security Question and Answer, PAN, DOB/DOI, Bank Account Number (last four digits) etc. as mentioned above.

- The password should contain minimum 8 characters, at least one special character (@!#$&*), at least one numeral, at least one alphabet and at least one capital letter.

**Individual Shareholders holding securities in demat mode with NSDL/ CDSL have forgotten the password:**

- Shareholders/ members who are unable to retrieve User ID/ Password are advised to use Forget User ID and orget Password option available at above mentioned depository/ depository participants website.
- It is strongly recommended not to share your password with any other person and take utmost care to keep your password confidential.
- For shareholders/ members holding shares in physical form, the details can be used only for voting on the resolutions contained in this Notice.

- During the voting period, shareholders/ members can login any number of time till they have voted on the resolution(s) for a particular "Event".

**Helpdesk for Individual Shareholders holding securities in demat mode:**

In case shareholders/ members holding securities in demat mode have any technical issues related to login through Depository i.e. NSDL/ CDSL, they may contact the respective helpdesk given below:

| Type of shareholders | Help desk details |
|---|---|
| **Individual Shareholders holding securities in demat mode with NSDL** | Members facing any technical issue in login can contact NSDL help desk by sending a request at evoting@nsdl.co.in or call at toll free no.: 1800 1020 990 and 1800 22 44 30 |
| **Individual Shareholders holding securities in demat mode with CDSL** | Members facing any technical issue in login can contact CDSL helpdesk by sending a request at helpdesk.evoting@cdslindia.com or contact at 022-23058738 or 22-23058542-43. |

- **Helpdesk for Individual Shareholders holding securities in physical mode/ Institutional shareholders & evoting service Provider is LINKINTIME.**
- In case shareholders/ members holding securities in physical mode/ Institutional shareholders have any queries regarding e-voting, they may refer the Frequently Asked Questions ('FAQs') and InstaVote e-Voting manual available at https://instavote.linkintime.co.in, under Help Section or send an email to enotices@linkintime.co.in or contact on: - Tel: 022 –4918 6000.
- InstaVote Support Desk
- Link Intime India Private Limited
- Instructions for Shareholders/Members to Attend the Annual General Meeting through InstaMeet:
- The voting period begins at 10.00 AM on 14-Sep-2021 and ends at 5.00 PM on 16-Sep-2021. During this period shareholders of the Company, holding shares either in physical form or in dematerialized form, as on the cut-off date 10-Sep-2021, may cast their vote electronically. The e-voting module shall be disabled by Link Intime India for voting thereafter.

**General Guidelines for shareholders:**

- During the voting period, shareholders can login any number of time till they have voted on the resolution(s) for a particular "Event".
- Shareholders holding multiple folios/demat account shall choose the voting process separately for each of the folios/demat account.

**Instructions for Shareholders/Members to attend the Annual General Meeting through InstaMeet (VC/OAVM) are as under:**

1. Shareholders/Members are entitled to attend the Annual General Meeting through VC/OAVM provided by Link Intime by following the below mentioned process. Facility for joining the Annual General Meeting through VC/OAVM shall

open 30 minutes before the time scheduled for the Annual General Meeting and will be available to the Members on first come first serve basis.

2. Shareholders/Members are requested to participate on first come first serve basis as participation through VC/OAVM is limited and will be closed on expiry of 15 (Fifteen) minutes from the scheduled time of the Annual General Meeting. Shareholders/Members with >2% shareholding, Promoters, Institutional Investors, Directors, KMPs, Chair Persons of Audit Committee, Nomination and Remuneration Committee, Stakeholders Relationship Committee and Auditors etc. may be allowed to the meeting without restrictions of first-come-first serve basis. Members can log in and join 30 (Thirty) minutes prior to the schedule time of the meeting and window for joining shall be kept open till the expiry of 15 (fifteen) minutes after the schedule time. Participation is restricted up to 1000 members only.

3. Shareholders/ Members will be provided with InstaMeet facility wherein Shareholders/ Member shall register their details and attend the Annual General Meeting as under:

   i. Open the internet browser and launch the URL for InstaMeet <<https://instameet.linkintime.co.in>> and register with your following details:

      a. DP ID / Client ID or Beneficiary ID or Folio No.: Enter your 16 digit DP ID / Client ID or Beneficiary ID or Folio Number registered with the Company

      b. PAN: Enter your 10 digit Permanent Account Number (PAN)

      c. Mobile No.

      d. Email ID

   ii. Click “Go to Meeting”

**Note:**

Shareholders/ Members are encouraged to join the Meeting through Tablets/ Laptops connected through broadband for better experience.

Shareholders/ Members are required to use Internet with a good speed (preferably 2 MBPS download stream) to avoid any disturbance during the meeting.

Please note that Shareholders/Members connecting from Mobile Devices or Tablets or through Laptops connecting via Mobile Hotspot may experience Audio/Visual loss due to fluctuation in their network. It is therefore recommended to use stable Wi-FI or LAN connection to mitigate any kind of aforesaid glitches.

In case the shareholders/members have any queries or issues regarding e-voting, you can write an email to instameet@linkintime.co.in or Call us: - Tel : ( 022-49186175 )

**InstaMeet Support Desk**
**Link Intime India Private Limited**

**Instructions for Shareholders/Members to register themselves as Speakers during Annual General Meeting:**

Shareholders/ Members who would like to express their views/ask questions during the meeting may register themselves as a speaker by sending their request mentioning their name, demat account number/folio number, email id, mobile number at (Company email id) from 15.09.2021, 3.00 p.m to 16.09.2021 3.00 p.m

The first Speakers on first come basis will only be allowed to express their views/ask questions during the meeting.

Shareholders/ Members, who would like to ask questions, may send their questions in advance mentioning their name demat account number/folio number, email id, mobile number at (Company email id). The same will be replied by the Company suitably.

**Note:**

Those shareholders/members who have registered themselves as a speaker will only be allowed to express their views/ask questions during the meeting. The Company reserves the right to restrict the number of speakers depending on the availability of time for the Annual General Meeting.

Shareholders/ Members should allow to use camera and are required to use Internet with a good speed (preferably 2 MBPS download stream) to avoid any disturbance during the meeting.

**Instructions for Shareholders/Members to Vote during the Annual General Meeting through InstaMeet:**

Once the electronic voting is activated during the meeting, shareholders/ members who have not exercised their vote through the remote e-voting can cast the vote as under:

1. On the Shareholders VC page, click on the link for e-Voting “Cast your vote”.
2. Enter Demat Account No. / Folio No. and OTP (received on the registered mobile number/ registered email Id) received during registration for InstaMeet and click on 'Submit'.
3. After successful login, you will see “Resolution Description” and against the same the option “Favour/ Against” for voting.
4. Cast your vote by selecting appropriate option i.e. “Favour/Against” as desired.

   Enter the number of shares (which represents no. of votes) as on the cut-off date under 'Favour/Against'.
5. After selecting the appropriate option i.e. Favour/Against as desired and you have decided to vote, click on “Save”. A confirmation box will be displayed. If you wish to confirm your vote, click on “Confirm”, else to change your vote, click on “Back” and accordingly modify your vote.
6. Once you confirm your vote on the resolution, you will not be allowed to modify or change your vote subsequently.

**Note:**

Shareholders/ Members, who will be present in the Annual General Meeting through InstaMeet facility and have not casted their vote on the Resolutions through remote e-Voting and are otherwise not barred from doing so, shall be eligible to vote through e-Voting facility during the meeting.

Shareholders/ Members who have voted through Remote e-Voting prior to the Annual General Meeting will be eligible to attend/participate in the Annual General Meeting through InstaMeet. However, they will not be eligible to vote again during the meeting.

In case the shareholders/members have any queries or issues regarding e-voting, you can write an email to instameet@linkintime.co.in or Call us: - Tel : ( 022-49186175 )

**InstaMeet Support Desk**

**Link Intime India Private Limited**

By order of the Board
**S Kavitha**
Company Secretary

Coimbatore
10-June-2021

## Explanatory Statement

(pursuant to Section 102 of the Companies Act, 2013)

**Item 3**

Mr Vijay Raghunath was appointed as independent Director on the board of the Company pursuant to the provisions of Section 149 of the Companies Act, 2013 ('the Act') read with the Companies (Appointment and Qualification of Directors) Rules, 2014 and the erstwhile Clause 49 of the Listing Agreement with the Stock Exchanges at the 55th Annual General Meeting of the Company for a first term of 5 years and will hold office up to 31.05.2022.

The Nomination and Remuneration Committee of the Board of Directors, on the basis of the report of performance evaluation of Independent Directors, has recommended re-appointment of Mr Vijay Raghunath as Independent Directors for a second term of 5 (five) consecutive years on the Board of the Company effective from 01-Jun-2022 to 31-May-2027.

The Company has received required disclosures under the provisions of the Companies Act, 2013 from Mr Vijay Raghunath. In the opinion of the Board, he fulfills the conditions specified in the Companies Act, 2013 and the Rules made there under and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 for his reappointment as Independent Director of the Company and is independent of the management.

Mr P Vijay Raghunath, 53 years of age,B.Com B.L., is a Non-executive Independent Director of the Company. He has more than 29 years of experience in legal profession and presently Director in Elgi Rubber Company Limited, Elgi Ultra Industries Limited, Elgi Ultra Limited, Space Ventures India Private Limited and Elgi Rubber Company Holdings B.V., the Netherland. He holds 75 shares of the Company. His appointment is not liable to retirement by rotation. He is a member of the Audit committee of the Board of Directors of the Company and he is also a member of the Audit committee, Nomination and Remuneration Committee, Stakeholders Relationship committee of the Board of Directors of Elgi Rubber Company Limited.

A copy of the draft letter for his reappointment as an Independent Director setting out the terms and conditions is available for inspection without any fee by the members at the Registered Office of the Company during normal business hours on all working days upto the date of this Annual General Meeting.

Section 149 (10) of the Act provides that an independent Director shall hold office for a term up to five consecutive years on the Board and shall be eligible for re-appointment on passing a special resolution by the Company and disclosure of such appointment in its Board's report. Section 149(11) provides that an independent Director may hold office for up to two consecutive terms.

Mr Vijay Raghunath is not disqualified from being appointed as Director in terms of Section 164 of the Act and has given his consent to act as Director.

The Board, based on the performance evaluation of Independent Directors and as per the recommendation of the Nomination and Remuneration Committee, considering his background and experience and contributions made by him during his tenure, the continued association of Mr Vijay Raghunath as independent Director would be beneficial to the Company and it is desirable to continue to avail his services as Independent Director. Accordingly, it is proposed to re-appoint Mr Vijay Raghunath as Independent Director of the Company, not liable to retire by rotation, to hold office for a second term of 5 (five) consecutive years on the Board of the Company. He is not related to any of the Directors of the Company. This Explanatory Statement shall also be regarded as a disclosure under SEBI listing regulations.

**Item 4 ,5 & 6**

The Board of Directors, at their meeting held on 24th March, 2020 on the recommendation of the Nomination Remuneration Committee based on the performance evaluation, education qualification, skills, experience and exposure in the Textile Industry, subject to the approval of Shareholders have reappointed Mr Ashwin Chandran, Mr Prashanth

Chandran, and T Kumar as the Chairman & Managing Director , Vice Chairman & Managing Director and Executive Director, respectively, of the Company for a period of three years, effective from 1st April, 2020 to 31st March, 2023. Shareholders have approved their reappointment at the Annual General Meeting held on 24th September, 2020. Due to Covid impact increase of remuneration was not proposed in their reappointment.

Considering the increasing responsibilities and improvement in the current business condition of the Company, on the recommendation of the Nomination Remuneration Committee, the Board of Directors, at their meeting held on 23rd March 2021 have approved the increase in remuneration of Chairman & Managing Director , Vice Chairman & Managing Director and Executive Director, subject to the approval of the shareholders.

Accordingly, the resolutions at Item Nos.4, 5 & 6 are proposed for your approval. The Nomination and Remuneration committee and the Board recommends approval of the members for the same.

None of the Directors or Key Managerial Personnel of the Company or their relatives except Mr Ashwin Chandran, Mr Prashanth Chandran and T Kumar, are in any way interested or concerned, financially or otherwise, except to the extent of respective remuneration enhanced to them, in the resolution Nos 4 ,5 & 6. This Explanatory Statement shall also be regarded as a disclosure under SEBI Listing regulations.

**Item 7**

The Board, on the recommendation of the Audit Committee, has approved the appointment and remuneration of the Cost Auditor Mr A R Ramasubramania Raja,Cost Accountant (Registration 32458), to conduct the audit of the cost records of the Company for the financial year ending 31st March, 2022.

In accordance with the provisions of Section 148 of the Act read with the Companies (Audit and Auditors) Rules, 2014, the remuneration payable to the cost auditors has to be ratified by the members of the Company.

Accordingly, the consent of the members is sought for passing an ordinary resolution as set out at Item No.7 of the notice, for ratification of the remuneration payable to the cost auditor for the financial year ending 31st March, 2022. Board of Directors recommends the resolution for approval of the members.

None of the Directors or Key Managerial Personnel of the Company or their relatives, is concerned or interested in the resolution.

**Corporate Identification Number (CIN) : L17111TZ1962PLC001183**

Registered Office : D Block,4th Floor,
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Website : www.precot.com

By order of the Board
**S Kavitha**
Company Secretary

Coimbatore
10-June-2021

Notes

If undelivered please return to :

Precot Limited (Formerly Precot Meridian Limited)
(CIN: L17111TZ1962PLC001183)
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