# Himatsingka Seide Limited

10/24, Kumara Krupa Road, High Grounds, Bangalore - 560 001, India.

Ref: SEC:0001:2:1148:KGN

October 5, 2018

BSE Ltd
Phiroze Jeejeebhoy Towers
Dalal Street
Mumbai – 400 001

National Stock Exchange of India Ltd
Exchange Plaza, 5th Floor, Plot No. C/1
G Block, Bandra-Kurla Complex, Bandra (E)
Mumbai – 400 051

Dear Sirs,

**Sub: Regulation 34 of SEBI (Listing Obligations and Disclosures Requirements) Regulation, 2015.**

Pursuant to captioned Regulation we are enclosing herewith Annual Report for the year ended March 31, 2018.

Thanking you,

Yours faithfully,
For Himatsingka Seide Limited

Ashok Sharma
Company Secretary

Encl: Annual Report

Phone : +91-80-4257 8000 Fax : +91-80-4147 9384
Email : hslblr@himatsingka.com Website : www.himatsingka.com CIN : L17112KA1985PLC006647



ANNUAL REPORT 2018

# Evolving Possibilities

Himatsingka Seide



Our relentless pursuit of the highest standards of excellence can transcend accepted benchmarks and open new doors that redefine possibility.

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# About Himatsingka



## The World of Manufacturing

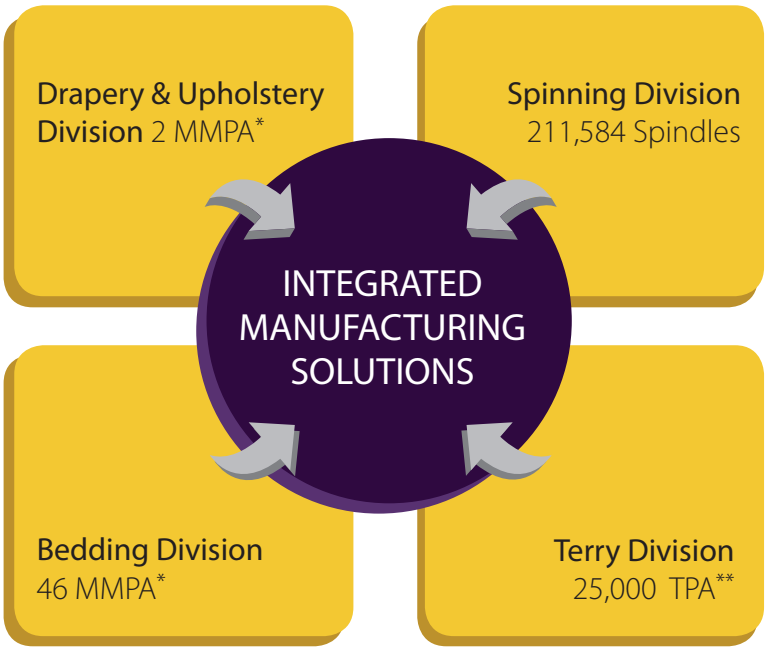
Himatsingka is a vertically integrated textile major that designs, develops, manufactures, distributes and retails a suite of textile products.

The Group has one of the largest installed capacities globally for producing Bedding products, Bath products, Drapery & Upholstery fabrics and ultra-fine count Cotton Yarn.

The Group is focussed on providing integrated solutions for its global clientele. Integrated from fibre to shelf, the Group's manufacturing and distribution capabilities are indeed seamless and help de-risk the global supply chain and drive value for stakeholders.

Not only are we focussed on building world-class facilities that have global scale, we are also driven to create next generation shop floors that epitomise digital solutions and automation. This helps us remain cost-efficient, greener and above all drives agility that enables a high degree of responsiveness to constantly changing consumer preferences.

> Enhancing our digital quotient via production automation, intensive data analytics and developing cutting-edge applications is the key to monitoring and driving efficiencies.

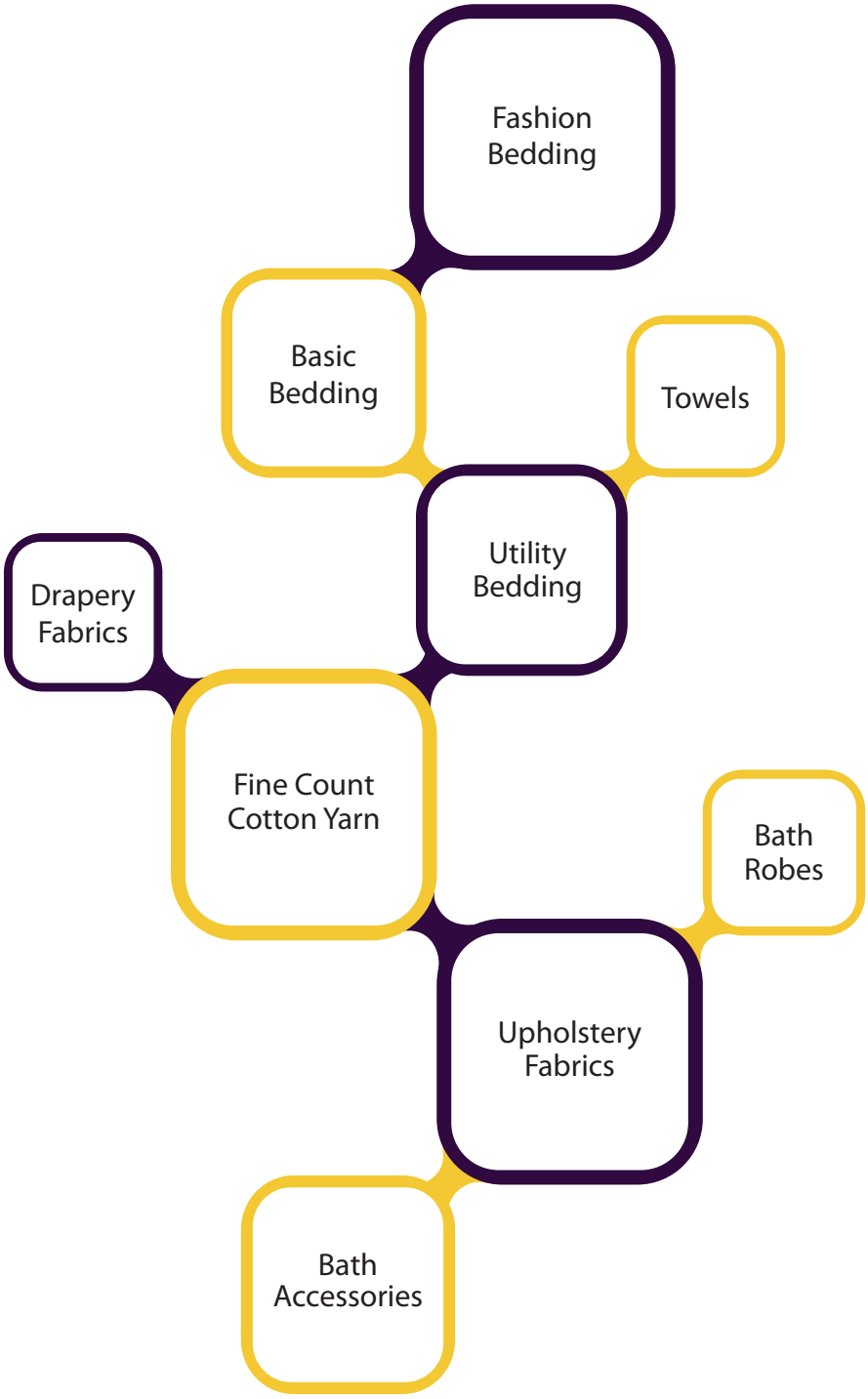



**CREATING SUSTAINABLE INFRASTRUCTURE**

* MMPA — Million metres per annum **TPA — Tonnes per annum, plant under construction

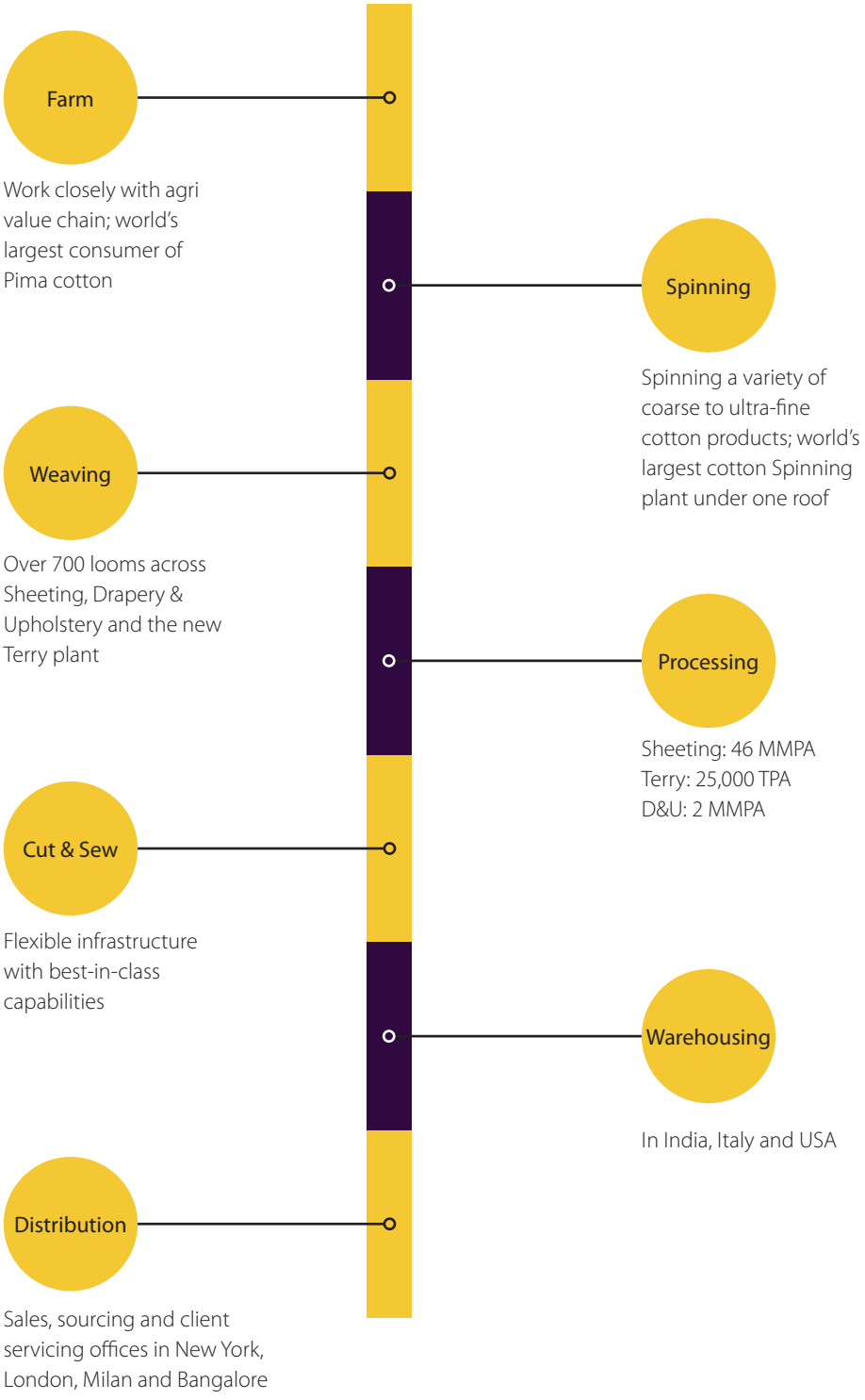


## Comprehensive Product Portfolio




**TOTAL HOME SOLUTIONS**

## Our Value Chain




## DRIVING INTEGRATION

## The Himatsingka Edge




**CREATING SUSTAINABLE COMPETITIVE ADVANTAGE**





# Building the next generation shop floor

CALVIN KLEIN



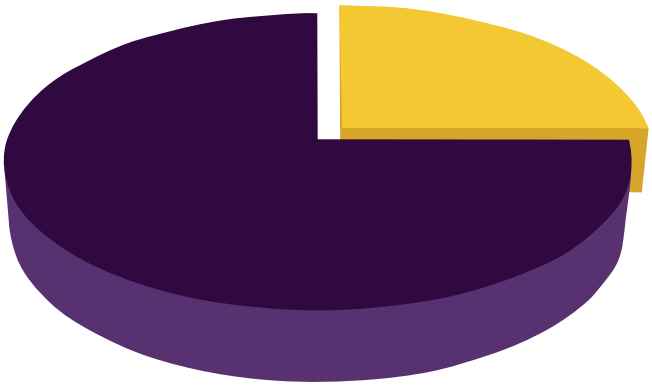
## Our Collection of Brands

A strong brand portfolio is integral to the integrated strategy of Himatsingka. Over the years, we have relentlessly pursued building our brand portfolio (both licensed and owned), that connects with consumers across geographies.

Our brand portfolio consists of some of the most recognised fashion labels and industry-defining, technology-driven brands. During FY 2018, our branded revenue streams witnessed robust growth. Revenues from brands grew by approximately 46% and stood at ₹1,610 crores.

We concluded the acquisition of a suite of brands that were a part of the Home portfolio of the Global Brands Group. This will give us exclusive licence rights to the famous and iconic Tommy Hilfiger Home brand, the Copper Fit brand and other brands. This acquisition will augment and strengthen our existing portfolio.

> Himatsingka's brand portfolio consists of over 10 brands now and will drive growth going forward. Our brands appeal to a broad spectrum of consumers and help us balance our presence across price points and cater to a broader demographic profile.



Targeting Over

**75%**

of Revenue from Brands


TOMMY HILFIGER

## Brand Portfolio — Key Brands

HOMEGROWN COTTON
PROUDLY GROWN IN THE USA

Pima cott
the new standard in pima purity

CALVIN KLEIN

atmosphere®

Bellora®
SINCE 1883

kate spade
NEW YORK

BARBARA BARRY

organicott
HONEST-TO-GOODNESS
ORGANICALLY GROWN COTTON

TOMMY HILFIGER


Pimacott
the new standard in pima purity
HOMEGROWN
COTTON
PROUDLY GROWN IN THE USA
organicott
HONEST-TO-GOODNESS
ORGANICALLY GROWN COTTON

## Global Leader in Track & Trace Capabilities

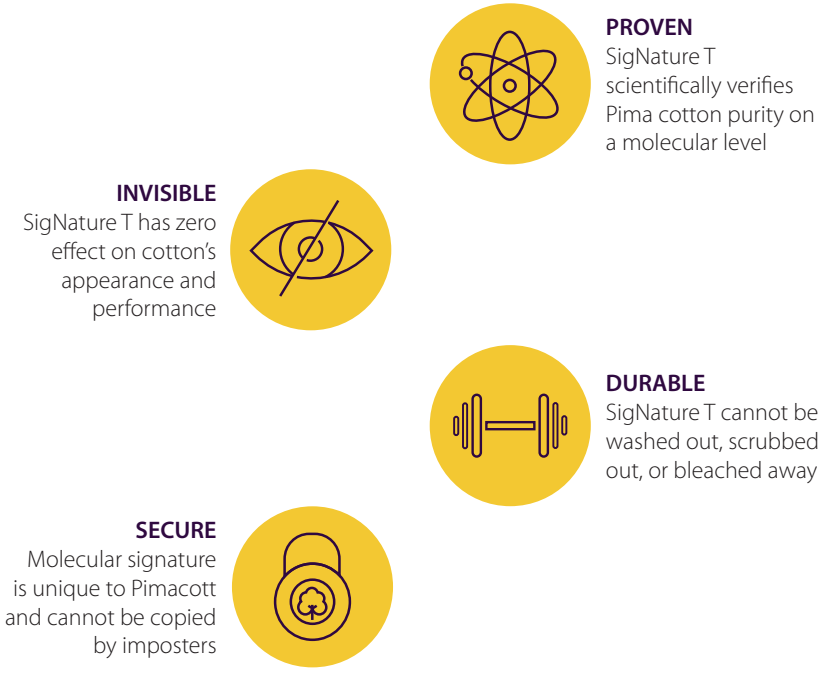
Himatsingka has forever changed the home textile industry and the market for cotton products. We have emerged to be a global leader in Track & Trace capabilities with regard to the cotton value chain.

For the first time ever in the home textile industry, every step in the supply chain, from farm to shelf, can be verified and guaranteed to be as labelled. With exclusive global rights to the patented DNA tagging technology, Himatsingka has the ability to attach DNA markers to every fibre, thus facilitating the ability to track product through every phase of the value chain.

PimaCott®, HomeGrown Cotton® and Organicott®, our three globally marketed cotton brands are available for a full range of Bed and Bath products.

Himatsingka is rewriting the rules of global cotton mapping capabilities to further enhance transparency across the cotton value chain, thus bringing greater value to the consumer.

> Augmenting our traceability solutions portfolio will be a key area of focus going into FY 2019.





# Performance Highlights

## Business Highlights — FY 2018

Commissioned the world's largest cotton spinning plant under one roof with an installed capacity of **2,11,584 spindles**

Continued focus on building IP led revenue streams. Revenues from brands crossed the **₹1,600 crore mark**

**Global leader in cotton Track & Trace capabilities** continued to augment traceability solutions portfolio

Commenced construction on the **new greenfield Terry Towel facility** with an installed **capacity of 25,000 TPA**

Acquired rights to a suite of brands including the **iconic Tommy Hilfiger home brand.** Estimated annual revenue of acquired portfolio is **₹400+ crores**

**Stable capital efficiency ratios** on the **ROCE & ROE** front despite significant balance sheet expansion

**Total Assets** crossed the **₹4,000 crore mark** and **stood at ₹4,219 crores**

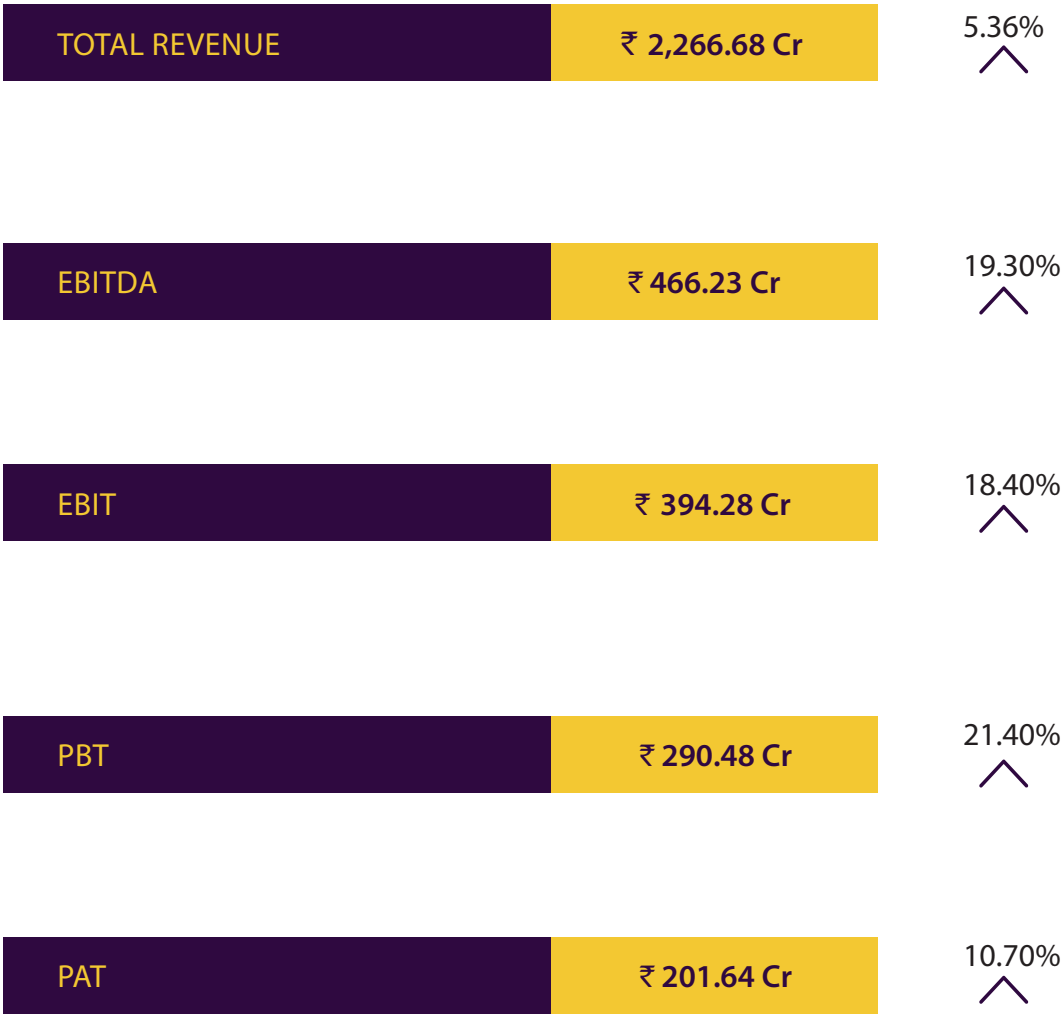
**Crossed new milestones** on Consolidated Total Revenue, Consolidated EBIDTA and Consolidated PAT fronts

**Crossed** the **6,000 employee mark**

## Key Focus Areas — FY 2019

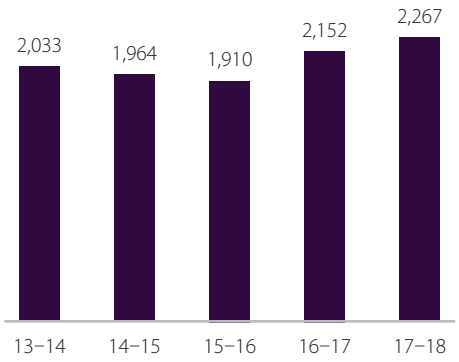


## Financial Snapshot — FY 2018

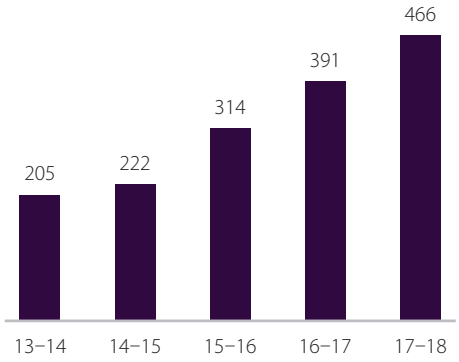


## Key Financial Parameters — 5 Years

**TOTAL REVENUE** ₹ Crores



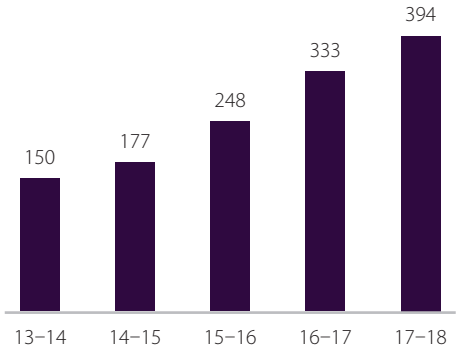

**EBITDA** ₹ Crores



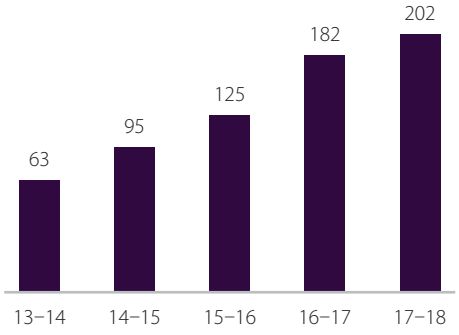

**EBITDA CAGR (5 YEARS)** %

+ 22.78%

**EBIT** ₹ Crores



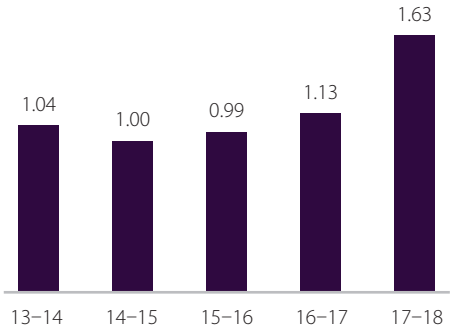

**PAT** ₹ Crores



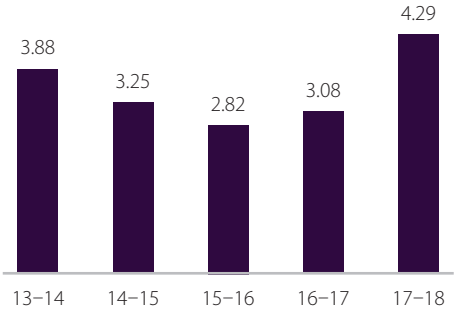

**PAT CAGR (5 YEARS)** %

+ 28.79%

## NET DEBT / EQUITY — Ratio



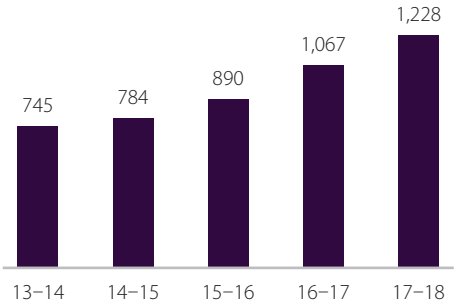

## NET DEBT / EBITDA — Ratio



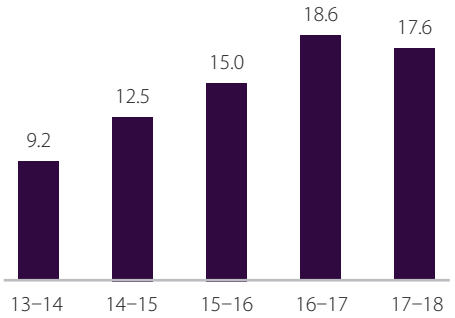

## TOTAL ASSETS — ₹ Crores

4,218.9 Cr

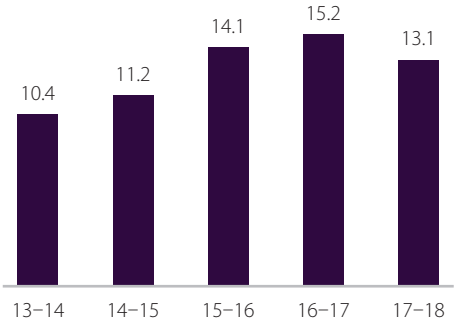
## NETWORTH — ₹ Crores




## ROE — %

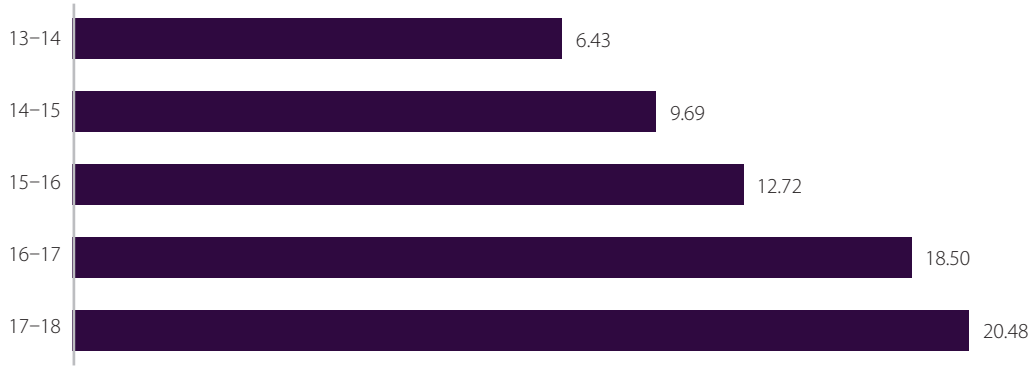



## ROCE — %



## EARNINGS PER SHARE

₹



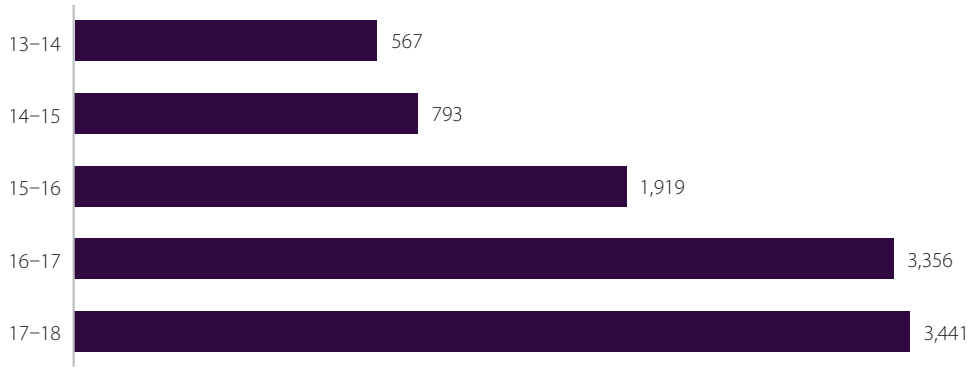

## BOOK VALUE PER SHARE

₹




## MARKET CAPITALISATION*

₹ Crores




*At the end of the respective financial year



# Letter to Shareholders



Shrikant Himatsingka
Managing Director & CEO
*(Left)*

Dinesh Himatsingka
Executive Chairman
*(Right)*

**Dear Shareholders,**

At the outset, fiscal 2018 was a year marked by global macro-economic challenges, historic developments on the domestic regulatory front and an ever changing retail environment both onshore and offshore.

On the domestic front, it was a momentous year for India with all the policy reforms that were put in place to enable both the private and public sector enterprises to continue their sustained and high growth trajectories. The 'One Nation One Tax' GST policy, the transformed regulations on the banking front and various other policy measures will usher in regulatory clarity, allow ease of doing business and stimulate investments.

> "Seamless integration from fibre to shelf continues to be an integral part of our business model and helps us build and sustain a competitive advantage across the product categories we operate in."

Globally, while economic growth rates were indeed encouraging, growing protectionism impacted merchandise trade and ignited geo-political tensions, which are a cause of concern and may cast a shadow on global trade going forward. The global retail environment, especially in the advanced economies of North America and Europe, continued to see increased online activity across product categories, and the pace of change in embracing omni-channel retailing continues.

Business Review

The World of Manufacturing

At Himatsingka, we have been busy with various consolidation and growth initiatives across our businesses. Seamless integration from fibre to shelf continues to be an integral part of our business model and helps us build and sustain a competitive advantage across the product categories we operate in. Himatsingka augmented its Sheeting capacity by completing its brownfield sheeting expansion in FY 2017. We are pleased to have completed, on schedule, another landmark project during FY 2018. We commissioned for commercial production, the world's largest Spinning plant under one roof with an installed capacity of 2,11,584 spindles.

This project enhances our integration quotient and relatively de-risks our model from volatile raw material price fluctuations. Himatsingka now operates amongst the world's largest integrated Sheeting plants and the world's largest cotton Spinning plant under one roof. Both these facilities are state-of-the-art and will help drive financial and operating performance going forward.

In order to broaden our home textile manufacturing portfolio, we commenced construction on our new Terry Towel facility that will be equipped with an installed capacity of 25,000 TPA (Tons per Annum). The new plant will be best-in-class, and is scheduled to be commissioned by H1 2020.

We endeavour to continue with our steadfast focus and discipline on operating our manufacturing assets. Capital and operating efficiency parameters have been and remain a key priority going into FY 2019.

> "We are pleased to have completed, on schedule, another landmark project during FY 2018. We commissioned for commercial production, the world's largest Spinning plant under one roof with an installed capacity of 2,11,584 spindles."

**₹2,267 Crores**

FY 2018 CONSOLIDATED TOTAL REVENUE

**₹202 Crores**

FY 2018 CONSOLIDATED PAT

## Our Collection of Brands

Our broad manufacturing portfolio, coupled with deep technical and operational know-how, will help us enhance global market share by leveraging our strong brand platforms. FY 2018 has been a busy year vis-à-vis initiatives to enhance our brand portfolio. We concluded the acquisition of the rights to a suite of brands that were a part of the Home portfolio of the Global Brands Group. This will give us exclusive licence rights to the famous and iconic Tommy Hilfiger Home brand, the Copper Fit brand and other brands. This acquisition will augment and strengthen our existing portfolio.

We remain focussed on enhancing branded revenue streams globally. Revenues from brands during FY 2018 crossed the ₹1,600 crore mark. This was a significant jump from the approximately ₹1,100 crores that we clocked during FY 2017.

Our exclusive global rights to the patented DNA technology platform for cotton tagging has ensured that we remain global leaders in the cotton Track & Trace space. Our array of exclusive cotton brands that include the Pimacott®, HomeGrown Cotton® and the Organicott® brands have been well received. They have found their way to shelves across key markets. Augmenting our traceability solutions portfolio will be a key area of focus going into FY 2019.

Himatsingka's brand portfolio consists of over 10 brands now and will drive growth going forward. Our brands appeal to a broad spectrum of consumers and helps us balance our presence across price points and cater to a broader demographic profile.

## Our Operating Scorecard

The various initiatives across divisions have augured well for our financial and operating performance during FY 2018. Consolidated Total Revenues grew by 5.3 % and stood at ₹2,266.69 crores versus ₹2,151.60 crores during FY 2017. Our Consolidated Total Revenues have grown at a CAGR of 6.05% over the last 5 years.

Consolidated EBITDA and Profit After Tax (PAT) for FY 2018 grew by 19.3% and 10.7% respectively. While Consolidated EBITDA for FY 2018 stood at ₹466.23 crores versus ₹390.89 crores during FY 2017, Consolidated PAT stood at ₹201.64 crores versus ₹182.10 crores during FY 2017. Our 5 year CAGR for consolidated EBITDA and PAT stood at 22.8% and 28.8% respectively.

Our focus on sweating assets helped us augment our margin profile during FY 2018. Our consolidated EBITDA margin grew from 18.2% in FY 2017 to 20.6% in FY 2018. This was also aided by the commissioning of the Spinning facility in the last quarter of FY 2018.

During FY 2018, consolidated Total Assets saw substantial growth and stood at ₹4,219 crores versus ₹2,893 crores during FY 2017. This was driven by the increase in Gross Fixed Assets, primarily on account of new projects commissioned and under construction during the year. Considering the commissioning of the new Spinning plant occurred on 5 February 2018, the increase in capital employed excluding work-in-progress projects has had an adverse impact on our capital efficiency parameters. The ROCE and ROE for FY 2018, stood at 13.1% and 17.6% respectively.

> "Our 5-year CAGR for consolidated EBITDA and PAT stood at 22.79% and 28.75% respectively."

## Themes for FY 2019

On the manufacturing front, we will remain focussed on enhancing capacity utilisation levels and sweating assets across the value chain. Enhancing our digital quotient via production automation, intensive data analytics and developing cutting-edge applications will be key to monitoring and driving efficiencies.

We will also be focussed on project execution to ensure ongoing capital projects are commissioned on schedule and within budgets. This is important as it will aid in developing new revenue streams and

thereby de-risking current revenue streams.
On the brands front, we will have a multi-faceted strategy to enhance global market share and will be focussed on the following:

- Developing our presence in the European markets
- Continuing to strengthen our IP portfolio
- Working with clients to deepen consumer reach via e-commerce and m-commerce channels
- Exploring new product adjacencies to our existing Bedding and Bath solutions

### Building a Sustainable Enterprise

Manufacturing solutions aided by enhanced digital platforms and the introduction of robotics to functions across the value chain will be key components of creating a lean and sustainable manufacturing platform.

These next generation shop floors will also help drive cost efficiencies, reduce carbon footprint and embody the highest levels of agility that will be required to respond to the dynamic and ever-changing consumer preferences across markets.

> "Manufacturing solutions aided by enhanced digital platforms and the introduction of robotics to functions across the value chain will be key components of creating a lean and sustainable manufacturing platform."

However, at the centre of all such initiatives are our people, our mind. We constantly endeavour to train and equip our human capital pool with the right skill and leadership quotient that drive the bold and complex initiatives required to be implemented across our businesses.

We believe that our people are integral not only in achieving tangible corporate goals but also in assisting us to become a responsible enterprise with a holistic approach in conducting our businesses. Our people are responsible for preserving our culture and upholding our values thus paving the way to deliver sustainable governance for stakeholders.

### Looking Ahead

As we look ahead and introspect on the year gone by, we think about the vibrant and pulsating global economy with all its complexities. To stay relevant in this dynamic environment, it is imperative that we focus on our areas of priority and continue to strengthen our capabilities across businesses and functions. Our strong foundation spanning infrastructure, technical know-how, human capital and a robust value framework will help us build a global sustainable enterprise.

Creating value for our stakeholders, while adhering to our core principles of strong governance and responsible practices, continues to be an integral part of life at Himatsingka.

We take this opportunity to express our sincere gratitude to our shareholders, employees, bankers, clients, suppliers, the Board and other stakeholders for their continued support and belief in Himatsingka.

Sincerely,

**Shrikant Himatsingka**
**Managing Director & CEO**

**Dinesh Himatsingka**
**Executive Chairman**

# Corporate Information

**Board of Directors**

D. K. Himatsingka
Executive Chairman

Shrikant Himatsingka
Managing Director & CEO

V. Vasudevan
Executive Director

Dr. K. R. S. Murthy
Independent Director

Rajiv Khaitan
Independent Director

Sangeeta Kulkarni
Independent Director

**Management Team**

V. Vasudevan
Executive Director
Manufacturing Operations (Group)

Akanksha Himatsingka
Head — Business Development
Europe & Asia Pacific

David Greenstein
President & CEO — North America

K. P. Rangaraj
President — Finance & Group CFO

Henry Jones
President & CEO — Europe

Shanmuga Sundaram
President — Manufacturing Operations (Hassan)

Major (Retd.) Kumud Kumar
President — HR & Group CHRO

C. B. Ganpathy
Executive Vice President — Corporate Affairs &
Group General Counsel

**Bankers**

Abu Dhabi Commercial Bank
Axis Bank Ltd
Canara Bank
EXIM Bank
IndusInd Bank Ltd
Kotak Mahindra Bank Ltd
HSBC Bank
Federal Bank
DBS Bank

**Statutory Auditors**

BSR & Co. LLP

**Internal Auditors**

Grant Thorton India LLP

**Registered Office**

10/24, Kumara Krupa Road
High Grounds
Bangalore – 560 001

**Works**

Doddaballapur, Karnataka
23A KIADB Industrial Area
Doddaballapur – 561203
Karnataka, India

Hassan, Karnataka
Plot No.1, KIADB Industrial Area
Hassan – 573201
Karnataka, India

# MANAGEMENT DISCUSSION AND ANALYSIS

## GLOBAL ECONOMIC OVERVIEW

Global economic growth for 2017 is estimated at 3.7%, significantly above the earlier forecast of 3.3%. This was driven by the robust performance in the major emerging economies and improved investments across advanced economies. The United States witnessed growth of 2.3% primarily on account of higher investments, buoyant labour markets and enhanced consumer spending. The Eurozone too grew at approximately 2.4% driven by improvements in labour markets and consumption. The global economic growth for 2018 is estimated at 3.9% compared to 3.7% achieved during 2017. Among the advanced economies, the United States is expected to witness a steady pace of growth while the Euro region and the United Kingdom could witness growth interruptions and challenges given the macro-economic surprises that have surfaced recently. Among emerging market and developing economies, the growth prospects also seem challenging amid the rise in oil prices, escalating trade tensions and currency pressures playing out in fundamentally weak economies.



Table 1: World Economic Growth — Projections

| Percentage Change (%) | 2016 | 2017 | 2018 (E^) | 2019 (P*) |
|---|---|---|---|---|
| World Output | 3.2 | 3.7 | 3.9 | 3.9 |
| Advanced Economics | 1.7 | 2.4 | 2.4 | 2.2 |
| United States | 1.5 | 2.3 | 2.9 | 2.7 |
| Euro Area | 1.8 | 2.4 | 2.2 | 1.9 |
| Germany | 1.9 | 2.5 | 2.2 | 2.1 |
| France | 1.1 | 2.3 | 1.8 | 1.7 |
| Italy | 0.9 | 1.5 | 1.2 | 1.0 |
| Spain | 3.3 | 3.1 | 2.8 | 2.2 |
| Japan | 1.0 | 1.7 | 1.0 | 0.9 |
| United Kingdom | 1.8 | 1.7 | 1.4 | 1.5 |
| Canada | 1.4 | 3.0 | 2.1 | 2.0 |
| Other Advanced Economics | 2.3 | 2.7 | 2.8 | 2.7 |
| Emerging Market and Developing Economics | 4.4 | 4.7 | 4.9 | 5.1 |
| Commonwealth of Independent States | 0.4 | 2.1 | 2.3 | 2.2 |
| Russia | -0.2 | 1.5 | 1.7 | 1.5 |
| Excluding Russia | 1.9 | 3.6 | 3.6 | 3.7 |
| Emerging and Developing Asia | 6.5 | 6.5 | 6.5 | 6.5 |
| China | 6.7 | 6.9 | 6.6 | 6.4 |
| India | 7.1 | 6.7 | 7.3 | 7.5 |
| ASEAN | 4.9 | 5.3 | 5.3 | 5.3 |
| Emerging and Developing Europe | 3.2 | 5.9 | 4.3 | 3.6 |
| Latin America and the Caribbean | -0.6 | 1.3 | 1.6 | 2.6 |
| Brazil | -3.5 | 1.0 | 1.8 | 2.5 |
| Mexico | 2.9 | 2.0 | 2.3 | 2.7 |
| Middle East, North Africa, Afganistan and Pakistan | 5.0 | 2.2 | 3.5 | 3.9 |
| Saudi Arabia | 1.7 | -0.9 | 1.9 | 1.9 |
| Sub-Saharan Africa | 1.5 | 2.8 | 3.4 | 3.8 |
| Nigeria | -1.6 | 0.8 | 2.1 | 2.3 |
| South Africa | 0.6 | 1.3 | 1.5 | 1.7 |

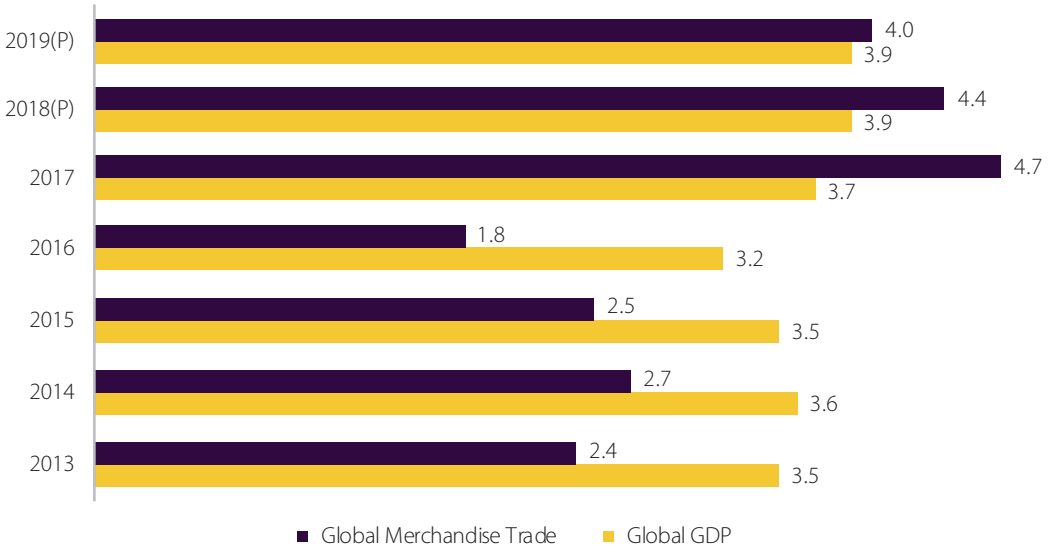
(Source: IMF — World Economic Outlook, July 2018)

E^ = Expected P* = Projections

The Global merchandise trade witnessed a positive momentum in 2017 registering a volume growth of 4.7% compared to 1.8% in 2016 on account of global economic growth. The upswing in global trade volume was propelled by improved investment, higher consumption, buoyant commodity prices and expansionary labour markets. In 2017, imports from developing economies witnessed a growth of 7.2% compared to 1.9% in 2016 while exports grew 5.7% compared to 2.3% during previous year. Developed economies, however, saw imports and exports grow by 3.1% and 3.5% in 2017 as compared to 2.0% and 1.1% in previous year, respectively.

The WTO anticipates a global merchandise trade volume growth of 4.4% in 2018, and 4.0% in 2019. This downward bias on growth rate is on account of the escalating trade wars between certain economies. Further, triggers include NAFTA and mounting political uncertainty with regard to Brexit. These events could derail the recovery and depress investments dampening global merchandise trade. In addition, the higher-than-desired inflation rates may trigger interest rate increases that may hinder the underlying growth momentum of merchandise trade.

Table 2: Growth in World GDP & Merchandise Trade (in Volume), 2013–2019 (% Change)

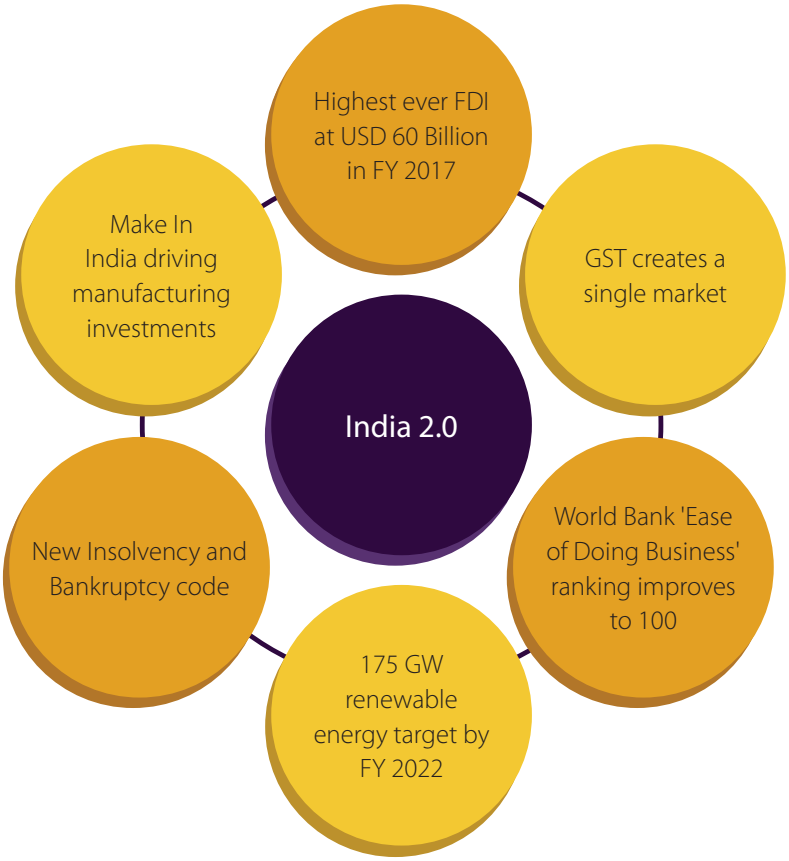



(Source: IMF and WTO)

## INDIAN ECONOMIC OVERVIEW

The long-term growth potential of the Indian economy stands undisputed, and the recent reforms have laid a strong foundation in order to tap this growth potential. The much-awaited Goods and Services Tax (GST), the transformed bankruptcy code and the transparent allocation of natural resources are some of the macro-economic reforms that will be instrumental in driving long-term sustainable economic growth.

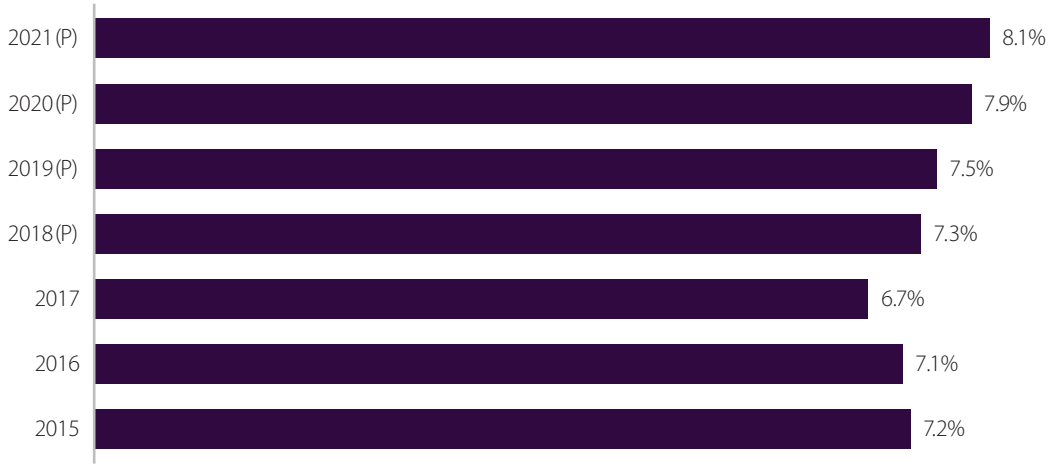
Policy reforms are making India a place with unprecedented opportunities for global and domestic businesses. India's progress on the World Bank rankings on the Ease of Doing Business, all-time high Foreign Direct Investment (FDI) achieved during FY 2017 and a sustained focus on fiscal consolidation will aid in achieving buoyant growth rates.




(Source: KPMG Reports and Ministry of Commerce, GOI)

With all the positivity that the reforms have generated, India's GDP growth is expected to come in at 7.5% in 2019, 7.9% in 2020 and 8.1% in 2021. This will make India the fastest growing large economy. While India attempts to sustain a high growth trajectory, it remains focussed on fiscal discipline and consolidation. The fiscal deficit is targeted to be reduced to 2.5% of GDP by FY 2023 while the Net Debt to GDP ratio is targeted to come in at 38.7% from the present levels of 49.7% during the same period.

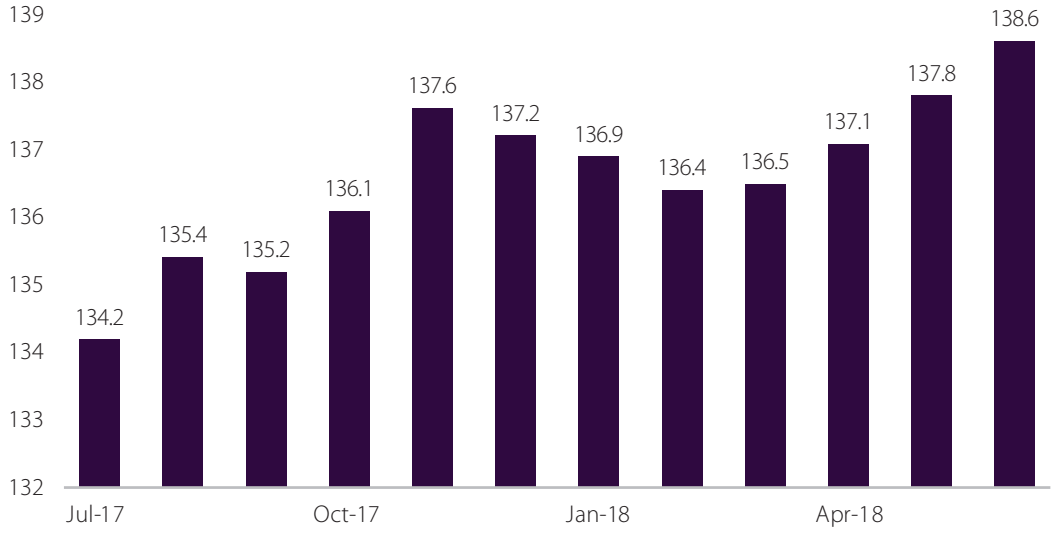
Table 3: India's GDP Growth (% Change)




(Source: WTO and DIPP)

Inflation unveiled a mixed scenario in 2017–18. The Consumer Price Index (CPI) inflation decreased to 4.3% in March 2018 while the WPI inflation remained unchanged at 2.5% in March 2018. However, inflation is expected to remain buoyant owing to rising crude oil and commodity prices

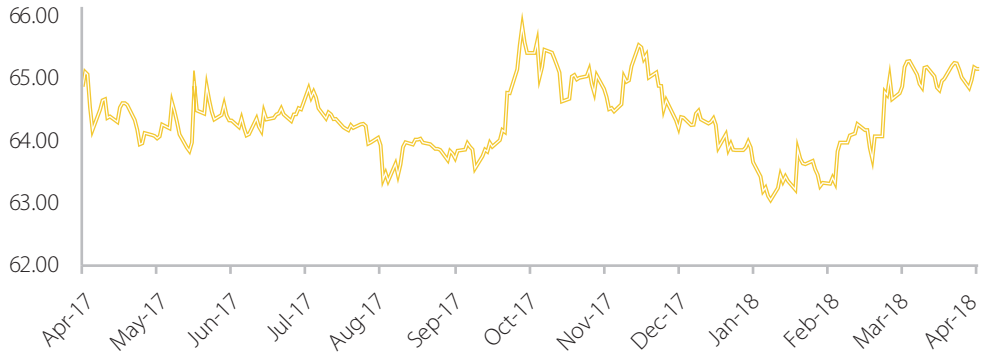
Table 4: India Consumer Price Index




(Source: Ministry of Statistics and Programme Implementation (MOSPI))

The Indian rupee (INR) has shown tremendous strength over the better part of 2017, especially looking at the past trend when it had seen a fall for almost six years. The remarkable rise in INR could have been prompted by strong foreign flows, proactive policy initiatives, and relative weakness in the US dollar. However, a rising INR is not always welcome for all sectors. As long as the real value of INR is higher than the real value of currencies of other competing nations, Indian exports will be outpriced in the global markets. It is important to acknowledge that rising real exchange rate (REER) remains above 100, which suggests that the Indian currency remains over-valued at current levels.

Table 5: Exchange Rate Movement (USD/INR)



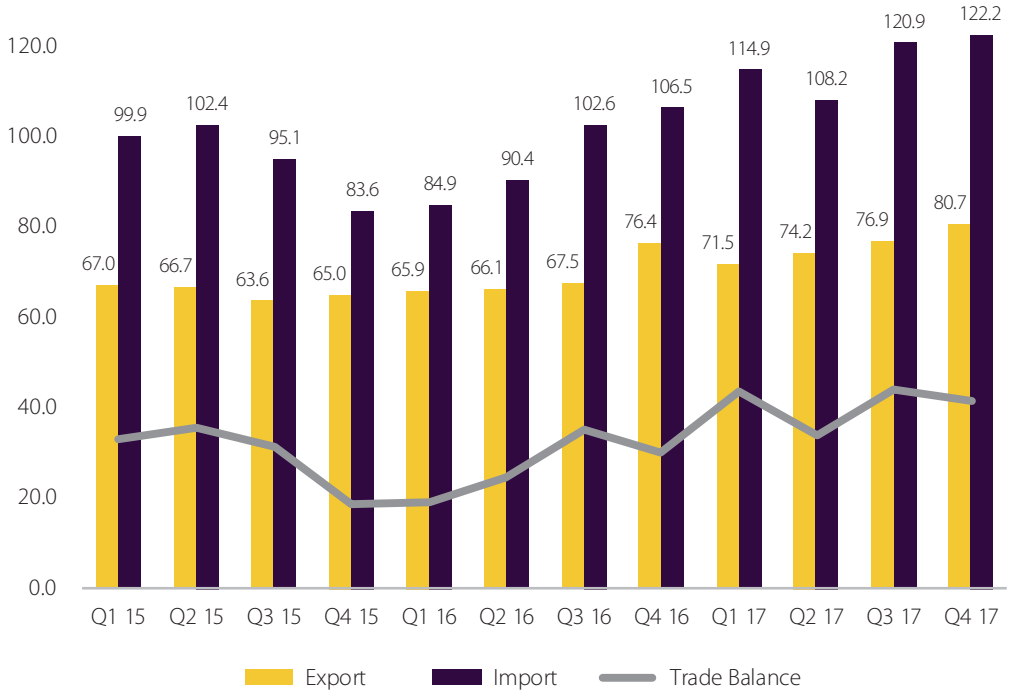

(Source: Bloomberg)

On the trade front, total exports during FY 2017–18 grew at a healthy rate of 11.7% to USD 303.6 billion compared to USD 271.9 billion in FY 2016–17. Major export destinations during FY 2017–18 were North America with a 17.8% share of total export, followed by the EU region with a share of 17.6%. Imports during the fiscal, on the other hand, stood at USD 462.8 billion — an increase of 20.0% from USD 384.5 billion in 2016–17.

As per the current rankings, India is the 20$^{th}$ largest exporter (with a share of 1.7%) and the 11$^{th}$ largest importer (with a share of 2.5%) of merchandise trade in the world. In Commercial Services Exports, India was the 8$^{th}$ largest exporter in 2017 (with a share of 3.5%). India ranks 10$^{th}$ globally (with a share of 3.0%) in imports of commercial services.

Table 6: Quarterly Trade Figures

USD billion



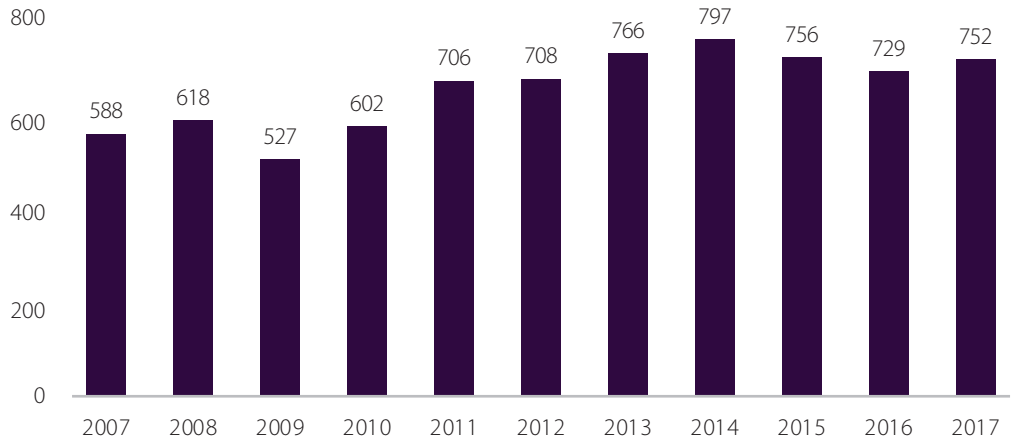

(Source: Ministry of Commerce and Industry Department of Commerce)

## GLOBAL TEXTILE INDUSTRY

The global textiles and apparel trade for 2017 stood at USD 752 billion (USD 729 billion in 2016) and contributed to 4.6% of global trade (4.6% during 2016). Of USD 752 billion, USD 455 billion came from the apparel sector and USD 296 billion came from the textile sector. The global textile and apparel trade has witnessed a CAGR of 2.5% from 2007 through 2017. The Global Textile and Apparel Trade is estimated to grow at a CAGR of approximately 4.5%–5.5% and is likely to touch approximately USD 1 trillion by 2023. The Global Home Textile Trade forms a substantial part of the global textile and apparel trade.

Table 7: World Textile & Apparel Trade

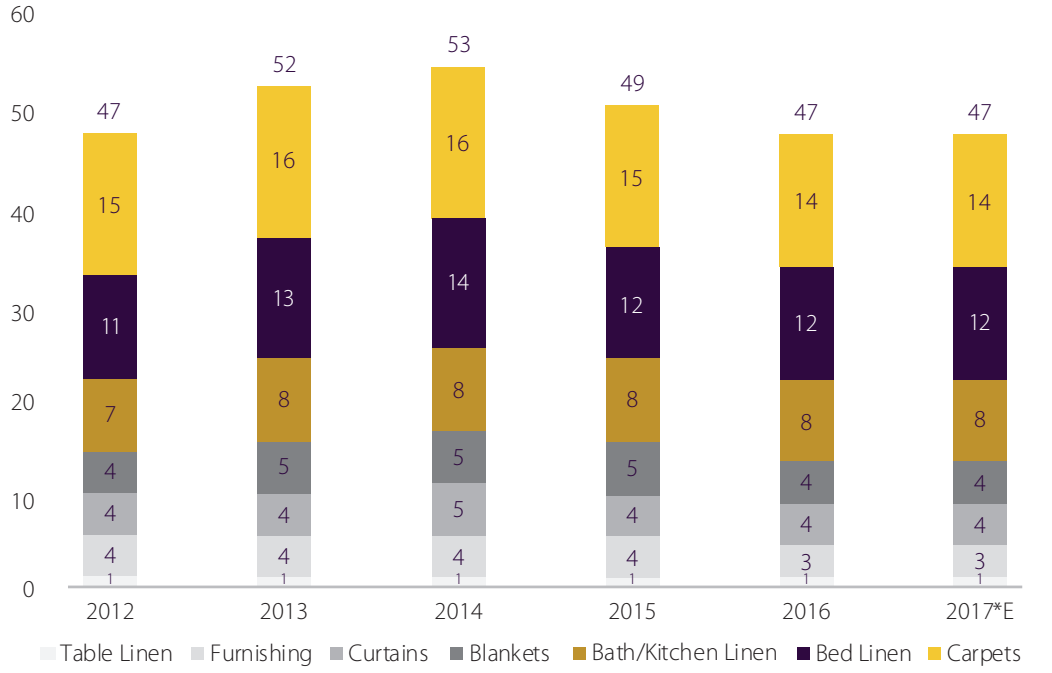
USD billion




(Source: International Trade Statistics 2017, WTO)

Table 8: Global Home Textiles Growth

USD billion




(Source: UN Comtrade)

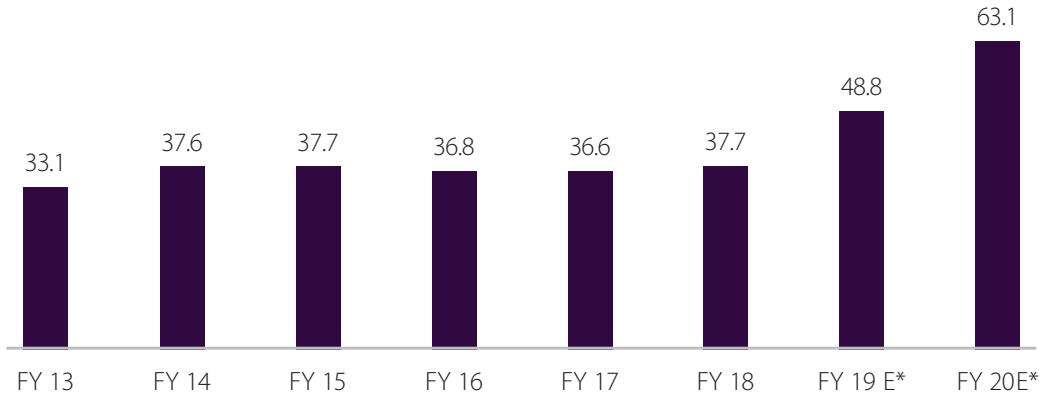
*E=Estimates

## INDIAN TEXTILE INDUSTRY

Textiles and apparel play a major role in the Indian economy. It contributes 14.0% to industrial production and 4.0% to GDP. It employs over 45 million people, making it one of the largest sources of employment generation in the country. The size of India's textile and garment market in 2017 was approximately USD 150 billion, and is expected to grow to USD 223 billion by 2021, at a CAGR of 10.4% between 2016–21.

Table 9: Indian Textile & Apparel Export

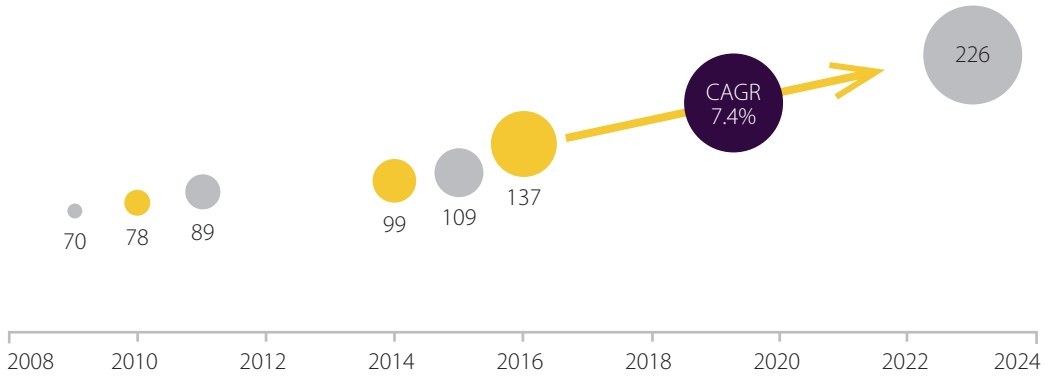
USD billion




(Source: IBEF and Industry Data)

Table 10: Indian Textile and Apparel Industry — Exports & Domestic

USD billion



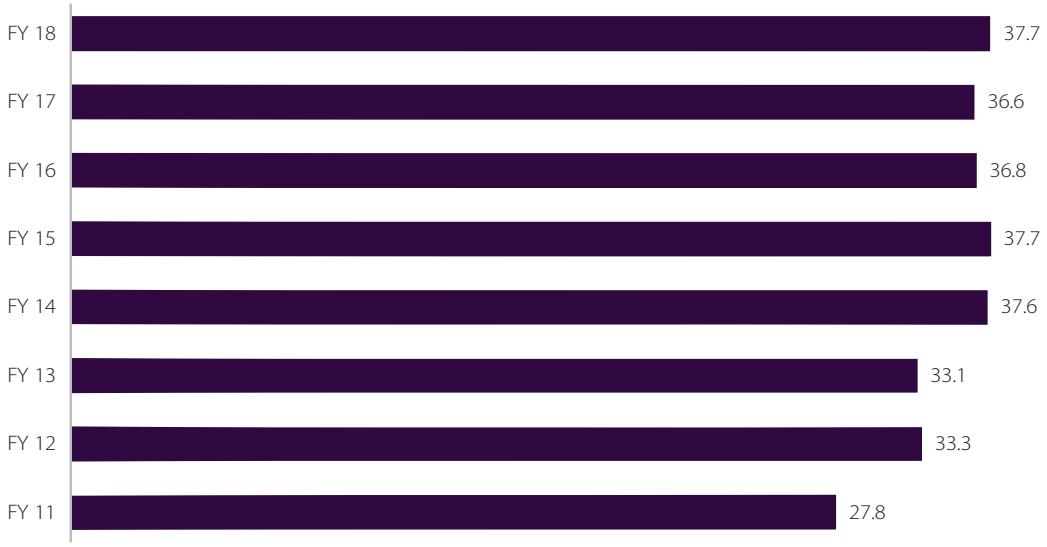

(Source: National Investments Promotion and Facilitation Agency and IBEF)

*E=Estimates

Over the years, India has gradually increased its share in global textile and apparel exports from 3.6% in 2006 to 5.9% in 2017 (Source: WTO). The strong performance of the textile and apparel exports is reflected in the value of exports from the sector over the years. Textile exports witnessed a CAGR of 6.4% from FY 2007–2018. India has been able to achieve this due to its competitive advantage and capacity built over years. The sector has also witnessed increasing outsourcing as Indian players moved up the value chain, from being mere converters to vendor partners of global retail giants.

Table 11: Indian Exports of Textile and Clothing

USD billion



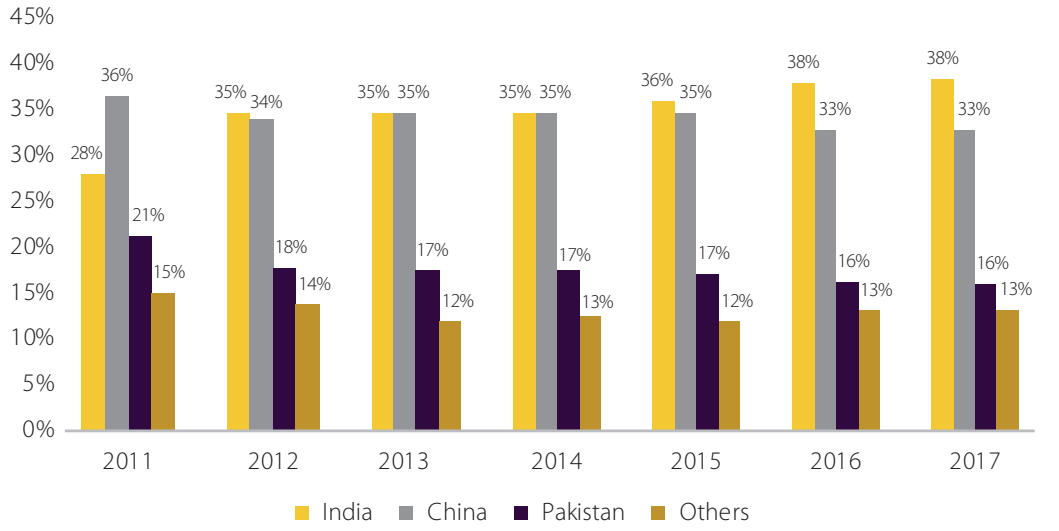

(Source: IBEF and Industry Data)

For Himatsingka, the USA continues to be the largest market in FY 2018 as well. The USA imported USD 2.7 billion of cotton-based bedding products primarily from India, China and Pakistan during 2017. The three countries contributed to 87% of the total cotton-based bedding products that were imported into the USA.

The USA has continuously increased its sourcing of cotton sheets, pillow cases, bed spreads and quilts from India, over the years, making India the largest supplier of cotton bedding products to the USA.

The USA continues to dominate the global market for home textile products. The chart below depicts the percentage share of USA imports of Cotton Sheets, Pillow Cases, Bedspreads and Quilts. India and China continued their dominance in the USA market with over a two-third share of imports; with India's share at 38.3% of the total imports (of the above products). Over the years, India's export of the above products to the USA has increased significantly and has overtaken China as the major exporter.

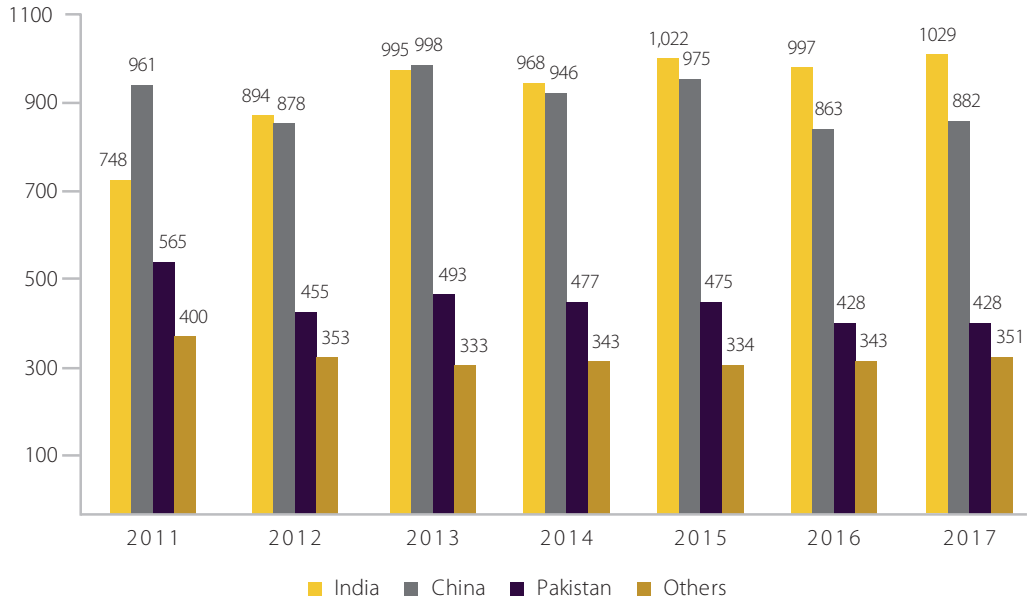
Table 12: US Imports % Shares of Countries




(Source: OTEXA, Department of Commerce, United States of America)

Total imports of these products from India stood at USD 470 million in 2008. Imports grew to USD 1.03 billion in 2017, which translates to a CAGR of 9.1%. China, which used to be the largest player in 2008 with USD 1.2 billion exports to USA. This has declined to USD 882 million in 2017, which translates into a CAGR of -3.8%.

Table 13: US Imports — Cotton Sheets, Pillow Cases, Bed Spreads and Quilts USD million



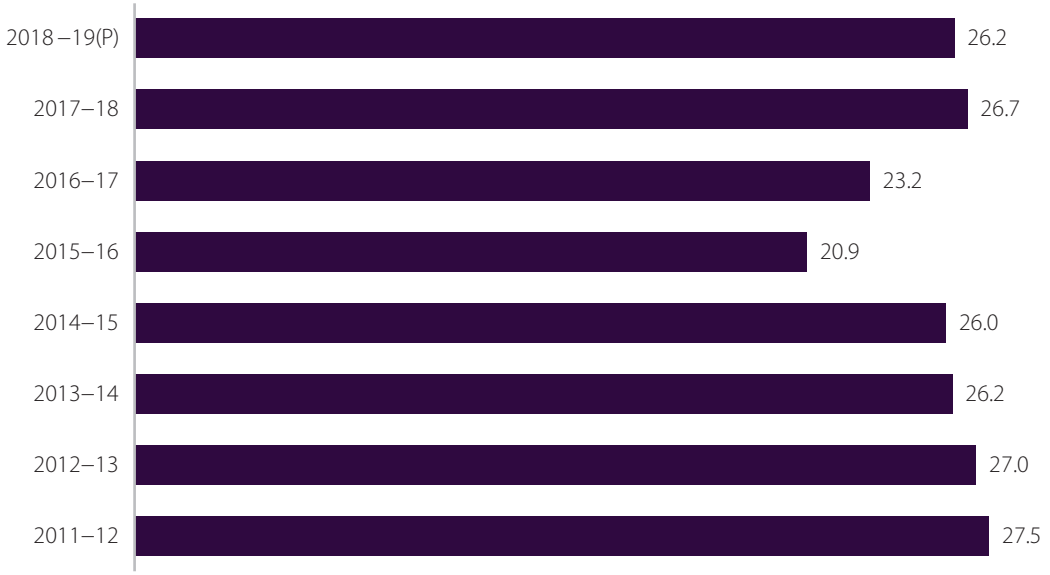

(Source: OTEXA, Department of Commerce, United States of America)

## GLOBAL COTTON SCENARIO

Cotton is among the most extensively-used fibres in the global textile space. India's vast cotton resources give it a strong competitive edge, as well as position it to address the growing domestic demand for cotton textiles. After a four-year decline, world cotton production witnessed an uptick commencing 2016–17, and stood at 26.7 million metric tons during the cotton year 2017–18.

However, in 2018–19, the world cotton production is expected to fall 3.6% to about 26.2 million metric tons with declining yields and falling acreage among major cotton producing countries.

Table 14: World Cotton Production Million Metric Tons




(Source: CottonInc.com)

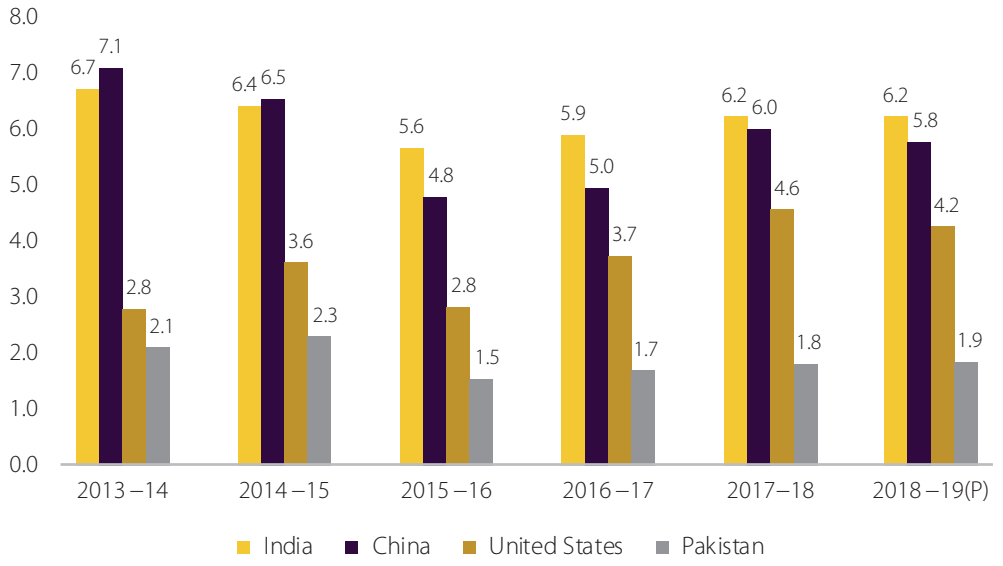
India and China contribute to approximately 50% of the global cotton output. Over the years, India's production has been rising, while China's production has been fluctuating. As a result, India has surpassed China as the world's largest cotton producer. In 2017–18, India contributed 23.2% of the global cotton production, while China contributed 22.4%.

Cotton production in the USA has been increasing over the last 3 years and contributes 17.0% of the world's total cotton production in 2017–18.

Table below shows India's cotton production vis-à-vis China, USA and Pakistan over the last 5 years and also the projection for 2018–19.

Table 15: Cotton Production — Region Wise

Million Metric Tons




(Source:Unites States Department of Agriculture (USDA))

During 2017–18, global cotton production was up 15.1% from 10.9% of the previous year due to notable increase observed among all cotton producing counties like, China, India and USA.

India's 2017–18 production rose by 5.5% owing to increased acreage (up 13%) from the previous year and favourable cotton prices, which was partly offset by lower yields. China's cotton production surged 20.9% in 2017–18 primarily driven by increased cultivation area and robust yields.

The table below gives a snapshot of the world's cotton production over the last 5 years. In 2017–18, global cotton production increased by 15.1%, while the consumption increased by 5.2% as compared to previous year. The increase in production primarily came from China, which contributed 27.0% of the total 3.5 million metric tons increase in global cotton production in 2017–18 over 2016–17.

Table 16: World Cotton Balance Sheet

WORLD COTTON BALANCE SHEET

| Million metric tons | 2013/14 | 2014/15 | 2015/16 | 2016/17 | 2017/18 (P) | 2018/19 (P) |
|---|---|---|---|---|---|---|
| Beginning Stocks | 20.1 | 22.4 | 24.1 | 20.7 | 18.9 | 19.2 |
| Production | 26.2 | 26.0 | 20.9 | 23.2 | 26.7 | 26.2 |
| Supply | 46.3 | 48.4 | 45.0 | 43.9 | 45.6 | 45.4 |
| Consumption | 23.9 | 24.3 | 24.4 | 25.0 | 26.3 | 27.3 |
| Ending Stocks | 22.5 | 24.1 | 20.7 | 18.9 | 19.2 | 18.1 |
| Stocks to Use Ratio | 94.10% | 99.1% | 84.7% | 75.7% | 73.0% | 66.2% |

CHINA BALANCE SHEET

| Million metric tons | 2013/14 | 2014/15 | 2015/16 | 2016/17 | 2017/18 (P) | 2018/19 (P) |
|---|---|---|---|---|---|---|
| Beginning Stocks | 11.0 | 13.7 | 14.6 | 12.7 | 10.5 | 9.0 |
| Production | 7.1 | 6.5 | 4.8 | 5.0 | 6.0 | 5.8 |
| Imports | 3.1 | 1.8 | 1.0 | 1.1 | 1.2 | 1.5 |
| Supply | 21.2 | 22.0 | 20.3 | 18.7 | 17.7 | 16.3 |
| Consumption | 7.5 | 7.4 | 7.6 | 8.2 | 8.7 | 9.0 |
| Exports | 0 | 0 | 0 | 0 | 0 | 0 |
| Demand | 7.5 | 7.4 | 7.6 | 8.2 | 8.7 | 9.0 |
| Ending Stocks | 13.7 | 14.6 | 12.7 | 10.5 | 9.0 | 7.2 |
| Stocks to Use Ratio | 181.60% | 196.4% | 165.7% | 128.9% | 102.8% | 79.7% |

INDIA BALANCE SHEET

| Million metric tons | 2013/14 | 2014/15 | 2015/16 | 2016/17 | 2017/18 (P) | 2018/19 (P) |
|---|---|---|---|---|---|---|
| Beginning Stocks | 2.6 | 2.5 | 2.9 | 2.2 | 2.4 | 2.7 |
| Production | 6.7 | 6.4 | 5.6 | 5.9 | 6.2 | 6.2 |
| Imports | 0.1 | 0.3 | 0.2 | 0.6 | 0.4 | 0.3 |
| Supply | 9.5 | 9.2 | 8.8 | 8.6 | 9.0 | 9.2 |
| Consumption | 5.1 | 5.3 | 5.4 | 5.2 | 5.3 | 5.5 |
| Exports | 2.0 | 0.9 | 1.3 | 1.0 | 1.0 | 0.9 |
| Demand | 7.1 | 6.2 | 6.6 | 6.2 | 6.3 | 6.4 |
| Ending Stocks | 2.5 | 2.9 | 2.2 | 2.4 | 2.7 | 2.8 |
| Stocks to Use Ratio | 35.20% | 47.0% | 32.6% | 39.0% | 43.1% | 44.2% |

(Source: United States Department of Agriculture (USDA))

## RISK MANAGEMENT

| RISK FACTORS | RISK | MITIGATION |
|---|---|---|
| CONCENTRATION | Concentration on certain markets and customers for a substantial part of the Group's business. | The Group is continuously pursuing opportunities in expanding market presence across new geographies and client groups in order to mitigate the risk. |
| RAW MATERIAL | Raw material costs account for approximately 55% of the Group's sales. Our operating performance may be adversely impacted by volatility on the cost of raw materials. | The Group's enhanced level of backward integration coupled with identifying alternate sources of supply will help in absorbing volatility. |
| COMPETITION | Intense competition from other manufacturers from India and China may adversely affect Group's performance. | The Group maintains its competitive advantage given its seamless integration from fibre to shelf including manufacturing capacities of global scale and a brand portfolio with global reach. |
| CURRENCY | The Group's global presence exposes its businesses to currency fluctuations which may have an adverse effect on its financial performance. | With an established Currency Risk Management Policy, the foreign currency exposures are continuously monitored and hedged on rolling basis which helps mitigate volatility risk. |
| REGULATORY | The Textile Industry is exposed to domestic and international regulations and policies, which may change from time to time, thereby potentially impacting financial performance. | The Group continues to engage with policy makers through industry bodies and other stakeholders to access, review and represent concerns stemming from policy-related matters. |

## INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

The Company's internal control systems ensure proper safeguarding of assets, maintaining proper accounting records and reliable financial information. An external independent firm carries out the internal audit of the Company's operations and reports its findings to the Audit Committee on a regular basis. Internal Audit also evaluates the functioning and quality of internal controls and provides assurance of its adequacy and effectiveness through periodic reporting.

The combination of policies and processes address the various risks associated with the Company's business. The Company periodically reviews the risk management framework to maintain its contemporariness so as to effectively address the emerging challenges in a dynamic business environment.

## HUMAN RESOURCES

Our approach to Human Resources has enabled us to be able to attract, integrate, develop and retain the talent required for driving sustainable growth. The continued focus on enhancing employee capabilities and benchmarking to be able to deliver best-in-class working environments have helped the Group maintain its leadership in the Home Textile industry.

Our HR processes and systems have enabled us to be agile and responsive to the dynamic global environment that prevails today. We are focussed on creating a culture that is performance-driven and recognises innovation across the spectrum of activities within the Group. The Group employs over 6,000 people across its businesses.



# DISCUSSION — CONSOLIDATED FINANCIAL PERFORMANCE

## CONSOLIDATED INCOME STATEMENT

A summary of our financial performance for FY 2018 and FY 2017 is as follows:

(₹ Lacs)

| Particulars | 2017–18 | 2016–17 | Change % |
|---|---|---|---|
| Revenue from operations | 224,906 | 213,841 | 5.2% |
| Other income | 1,763 | 1,319 | 33.7% |
| Cost of materials consumed | 118,565 | 122,671 | -3.3% |
| As a % of revenue | 52.7% | 57.4% | - |
| Employee benefit expenses | 20,912 | 19,743 | 5.9% |
| Other expenses | 40,569 | 33,657 | 20.5% |
| **EBITDA** | **46,623** | **39,089** | **19.3%** |
| Depreciation | 7,195 | 5,801 | 24.0% |
| **EBIT** | **39,428** | **33,288** | **18.4%** |
| Interest and finance costs | 10,380 | 9,353 | 11.0% |
| Profit before tax | 29,048 | 23,935 | 21.4% |
| **Profit after tax** | **20,164** | **18,210** | **10.7%** |

### Revenue Analysis

- Consolidated revenue for the year increased by 5.4% to ₹2,26,668 lacs, on account of healthy growth from Brands. Branded revenue grew from ₹1,10,000 lacs in 2016–17 to ₹1,61,000 lacs in 2017–18.

### Expenditure Analysis

- The cost of materials consumed stood at ₹118,565 lacs during the year. Material costs as a percentage of revenue decreased from 57.4% to 52.7% on account of changes in product mix, GST benefits and commissioning of the Spinning plant.

- Employees benefit expenses increased by 5.9% to ₹20,912 lacs on account of annual inflation, employee additions in the expanded Sheeting capacity and in the newly-commissioned Spinning plant which is a backward integration in the value chain.

- Interest and finance charges increased by 11% to ₹10,380 lacs owing to the term loans taken for the new projects, and increased working capital.

### Profitability Analysis

- EBITDA increased by 19.3% to ₹46,623 lacs. The EBITDA margins improved to 20.6% compared to 18.2% in the previous year.

- The consolidated profit after tax for the year increased by 10.7% to ₹20,164 lacs.

## CONSOLIDATED BALANCE SHEET

The analysis of our Consolidated Balance Sheet for FY 2018 and FY 2017 is shown here:

(₹ Lacs)

| Particulars | As on 31/03/2018 | As on 31/03/2017 |
|---|---|---|
| Property, plant and equipment including CWIP and intangible assets | 1,95,814 | 1,07,870 |
| Goodwill | 35,104 | 34,142 |
| Other financial assets | 31,687 | 12,434 |
| Deferred tax assets (net) | 3,142 | 3,744 |
| Non-current income tax assets (net) | 888 | 793 |
| Other assets | 32,852 | 29,780 |
| Inventories | 99,027 | 75,388 |
| Trade receivables | 9,910 | 6,827 |
| Cash and cash equivalents | 13,472 | 18,359 |
| **Total Assets** | **4,21,895** | **2,89,337** |
| Equity share capital | 4,923 | 4,923 |
| Other equity | 1,17,830 | 1,01,803 |
| Total borrowings | 2,25,517 | 1,40,727 |
| Provisions | 1,816 | 1,621 |
| Deferred tax liabilities (net) | 793 | 95 |
| Other liabilities | 27,941 | 9,796 |
| Trade payables | 35,114 | 26,146 |
| Other current financial liabilities | 4,936 | 3,208 |
| Current Income tax liabilities (net) | 3,025 | 1,017 |
| **Total Assets** | **4,21,895** | **2,89,337** |

### Analysis of Assets

- Property, Plant and Equipment including CWIP and Intangible assets increased by ₹87,944 lacs mainly on account of commissioning of the new Spinning plant and additions to the Sheeting capacity, including the applicable government incentives accounted in line with Ind AS 20 (Accounting for Government Grants and Disclosure of Government Assistance).
- Goodwill increased by ₹962 lacs to ₹35,104 lacs due to translation impact.
- Other financial assets increased by ₹19,253 lacs mainly on account of increase in subsidy receivable under various government schemes by ₹12,713 lacs, and the increase in current and non-current investments ₹12,545 lacs, partially set off by the decrease of ₹4,453 lacs in mark-to-market derivative asset and long-term deposits of ₹1,543 lacs.
- Inventories increased by ₹23,639 lacs in preparation for launch of new programmes.

- Other assets increased by ₹3,072 lacs mainly due to increase in balance with statutory authorities by ₹7,140 lacs, and increase in government subsidy by ₹3,999 lacs set off by the decrease in capital advances by ₹8,681 lacs.

- Trade receivable increased by ₹3,082 lacs in line with revenue growth, and the timing of the sales towards the close of the financial year.

## Analysis of Liabilities

- Total borrowings increased to ₹225,517 lacs mainly due to additional borrowings towards new projects by ₹51,367 lacs, and increase of ₹33,422 lacs in short-term borrowings. The increase in short-term borrowings was primarily on account of delay in receiving export incentives, state subsidies and GST refunds.

- Provisions increased by ₹195 lacs, mainly due to the provision for gratuity.

- Other liabilities increased by ₹18,145 lacs mainly due to deferred revenue arising from government incentives accounted in line with Ind AS 20 (Accounting for Government Grants and Disclosure of Government Assistance).



# BOARDS' REPORT

Your Directors are pleased to present the Thirty Third Annual Report on the operations and performance of your Company, together with audited financial statements and auditors' report for the year ended March 31, 2018.

## 1. Performance Review for FY18 and Outlook

The financial highlights for the year under review are given below:

**(₹ Lacs)**

| Particulars | Standalone | | | Consolidated | | |
|---|---|---|---|---|---|---|
| | 2017-18 | 2016-17 | Change % | 2017-18 | 2016-17 | Change % |
| Revenue from Operations | 160,803 | 139,807 | 15.02 | 224,906 | 213,841 | 5.17 |
| Other Income | 3,551 | 4,192 | -15.28 | 1,763 | 1,319 | 33.66 |
| Total Revenue | 164,354 | 143,999 | 14.13 | 226,669 | 215,160 | 5.35 |
| EBITDA | 41,994 | 35,155 | 19.45 | 46,623 | 39,089 | 19.27 |
| EBITDA Margin (%) | 26.12 | 25.15 | - | 20.73 | 18.28 | - |
| EBIT | 36,465 | 30,855 | 18.18 | 39,428 | 33,288 | 18.45 |
| Profit before exceptional items | 29,360 | 24,490 | 19.88 | 29,048 | 23,936 | 21.36 |
| Profit before tax | 29,360 | 24,490 | 19.88 | 29,048 | 23,936 | 21.36 |
| Tax Expense | 8,755 | 6,805 | 28.64 | 8,884 | 5,725 | 55.18 |
| **Profit after tax** | **20,605** | **17,684** | **16.52** | **20,164** | **18,210** | **10.73** |

During FY18, Consolidated Total Revenue increased by 0.53% % to ₹ 2,26,669 Lacs and Consolidated EBITDA grew by 4.86 % to ₹ 46,623 Lacs. The increase in EBITDA was driven mainly by growth in Revenues, optimization of costs and increase in operational efficiencies across the Group.

During the year, the Company made significant progress on various initiatives across its businesses. The key achievements of FY18 are as follows:

- First full year of operations of the integrated Sheeting facility after completion of its brownfield expansion. The operating parameters and utilization levels were stable through the year.
- Successfully commissioned the new Greenfield cotton Spinning facility during Q4 FY18. The plant has an installed capacity of 211,584 spindles and is the world's largest plant under one roof. This project facilitates the Group's backward integration initiatives.
- Concluded the acquisition of the home portfolio from the Global Brands Group. This initiative is in line with the Group's focus on augmenting revenue streams from brands.
- Commenced construction of the greenfield integrated Terry Towel project during Q4 FY18. This project will help augment the Group's home textile manufacturing portfolio.
- The Group consolidated and enhanced revenue streams from its brand portfolio. Revenues from brands stood at ₹ 1,610 Crores compared to ₹ 1,100 Crores in FY17.

### Subsidiary and Associate Companies

As on March 31, 2018, the Company had the following subsidiaries and associate companies:

### Subsidiaries

- HimatsingkaWovens Private Limited,
- Himatsingka Holdings NA Inc,
- Himatsingka America Inc.,
- Himatsingka Europe Limited,
- Giuseppe BelloraSrl.
- Himatsingka Singapore Pte. Limited,
- Twill & Oxford LLC.

### Associate Company

- Himatsingka Energy Private Limited

As required under section 129(3) of the Companies Act, 2013, the Company has prepared consolidated financial statements which form a part of the Annual Report.

The consolidated financial statements presented by the Company includes the financial results of its subsidiary companies. Further, a statement containing the salient features of the financial statements of its subsidiaries in form AOC-1 is annexed to this report as **Annexure 1.**

Pursuant to section 136 of the Companies Act, 2013, the audited financial statements of the subsidiaries are available on the Company's website at http://www.himatsingka.com/financial-information.html. The Balance Sheet, Statement of Profit and Loss and other documents of the subsidiary companies are kept for inspection at the registered office of the Company and that of the respective subsidiary companies. The Company will make available separate audited and unaudited financial statements of the subsidiary companies and the related information to any member of the Company who may be interested in obtaining it.

As required under Regulation 24 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Company has drafted a policy for determining material subsidiaries. The policy has been disclosed on the Company's website and can be found at http://www.himatsingka.com/corporate-governance.html

**Research and Development**

Research and development continues to provide valuable support to our business and has helped us to keep pace with dynamic market conditions. We continue to give in-house research and innovation the highest priority.

**Environment, Safety, Energy conservation and Technology absorption**

Safety and environmental protection remain a key area of focus for the Company. Investments are continuously made in projects that reduce / treat waste and increase energy efficiencies. We regularly upgrade our effluent treatment and water recycling plants to keep abreast with technological advancements and ensure eco-friendly production and best in class employee safety standards.

**2. Dividend**

Your Directors in their meeting held on May 25, 2018, have recommended a final dividend of 50% (₹ 2.50 per equity share) for the financial year ended March 31, 2018, subject to approval by the shareholders at the ensuing Annual General Meeting.

**3. Transfer to Reserves**

During the year the Company has not transferred any amount to reserves.

**4. Extract of Annual Return**

Pursuant to Section 134 read with Section 92(3) of the companies Act, 2013, the requirement of including the extract of Annual Return (Form MGT 9) as an annexure in the Board's Report has been done away with as per notification of Section 36 of the Companies (Amendment) Act, 2017. In this regard the extract of Annual Return is disclosed on the Company's website and can be found at http://www.himatsingka.com/anual-report.html.

**5. Number of meetings of the Board**

The details of the meetings of the Board and the details of the attendance of the Directors in the meetings are provided in the Corporate Governance Report appearing elsewhere in the Annual Report.

**6. Directors' Responsibility Statement**

As required by the provisions of Section 134(3)(c) of the Companies Act, 2013 we, the Directors of Himatsingka Seide Limited, confirm the following:

(a) in the preparation of the annual accounts, the applicable accounting standards has been followed along with proper explanation relating to material departures;

(b) the directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year and of the profit and loss of the company for that period;

(c) the directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013, for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;

(d) the directors have prepared the annual accounts on a going concern basis; and

(e) the directors, have laid down internal financial controls to be followed by the company and such internal financial controls are adequate and are operating effectively;

(f) the directors have devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems are adequate and operating effectively.

**7. Declaration by Independent Directors**

The Company has received from each of its Independent Directors, the declaration as stipulated under Section 149(7) of the Companies Act, 2013, confirming that the Director meets the criteria of independence as laid down under section 149(6) of the Companies Act, 2013.

**8. Nomination and Remuneration Policy**

The Company has formed a Nomination and Remuneration Committee as required under Section 178 of the Companies Act, 2013. The Committee has formulated a policy as required under Section 178(3) of Companies Act, 2013 stipulating the criteria for determining qualifications, positive attributes and independence of a director and also the criteria relating to the remuneration for the directors, key managerial personnel and other employees and their performance evaluation. Pursuant to the proviso of sub-section (4) of Section 178 of the Companies Act, 2013, the aforesaid policy is available on the Company's website at http://www.himatsingka.com/corporate-governance.html.

**9. Auditors and Auditors' Report**

**Statutory Audit**

The report of Statutory Auditors M/s BSR and Co., LLP, Chartered Accountants, for FY 2017-18 (appearing elsewhere in the Annual Report) does not have any qualification, reservation or adverse remarks.

Pursuant to the provisions of Section 139 of the Companies Act, 2013 and the rules framed thereafter, M/s. BSR and Co., LLP, Chartered Accountants, were appointed as statutory auditors of the Company and are to hold office until the conclusion of the 37th Annual General Meeting of the Company, subject to ratification by the Members at every Annual General Meeting till the 37th Annual General Meeting of the Company.

The requirement relating to ratification of Auditors by the members of the Company at every AGM has been dispensed with by the Companies Amendment Act, 2017 vide Notification No. S.O. 1833(E) dated May 07, 2018. Pursuant to the said amendment, during the five-year term of appointment / re-appointment of Statutory Auditors, ratification of the appointment / re-appointment by the members in the Annual General Meeting is not required. Accordingly, business item of ratification of re-appointment of Statutory Auditors is not included in the Notice dated August 09, 2018, calling 33rd Annual General Meeting of the Company.

**Secretarial Audit**

The Company had appointed Mr. Vivek Bhat, Company Secretary in Practice, Bengaluru, to conduct the secretarial audit as required under Section 204 of the Companies Act, 2013. The Secretarial Audit Report given by Mr. Vivek Bhat is appended as **Annexure 2** to the Board's Report.

**In the above mentioned report, Mr. Vivek Bhat has made the following comment:**

"The Company could not spend the eligible profit on Corporate Social Responsibility measures. However, the Company has constituted the CSR Committee and its constitution was as per the regulation."

**Board's Response to Comments of Secretarial Auditor**

During the year, the Company registered the "Himatsingka Foundation" trust to undertake various CSR activities including rural development, education and other community development programs. The Company is preparing a detailed plan for the implementation for various programs on a sustainable basis and hence was unable to spend the required amounts in FY18.

As per the provisions, the total amount to be spent by the Company on CSR activities for the FY 2017-18 was ₹ 368.59 Lacs. During the year, an amount of ₹61.83 Lacs was spent by the Company.

**Cost Auditors**

Since the Company's export revenue, in foreign exchange, for the financial year 2017-2018 was greater than 75% (seventy five percent) of the total revenue of the Company, the Company falls within the exemption specified in Clause 4(3) of The Companies (Cost Records and Audit) Rules, 2014. In view of this, there is no requirement to furnish cost audit of cost records of the Company for its units at Hassan and Doddaballapur.

**10. Particulars of Loans, Guarantees, Investments and Securities made**

The particulars of loans made, guarantees given, investments made and securities provided as per the provisions of Section 186 of the Companies Act, 2013 and the relevant rules made thereunder are given in the notes to the standalone financial statements.

**11. Particulars of Contracts or arrangements with related parties**

All transactions entered into by the Company with its related parties are at arm's length and in the ordinary course of business. However, the list of material related party transactions as per the Company's policy on related party transactions, as required under rule 8(2) of Companies(Account) Rules, 2014, is annexed to the Board's Report as **Annexure 3.**

The Company has also formulated a policy on dealing with Related Parties Transactions as required under Regulation 23 of SEBI(Listing Obligations and Disclosure Requirements) Regulations, 2015. The same is available in the Company's website at http://www.himatsingka.com/corporate-governance.html.

**12. Other Significant Events**

Scheme of Arrangement between the Company and Himatsingka Wovens Private Limited: Himatsingka Wovens Private Limited ("HWPL"), a wholly owned subsidiary of the Company and conducts the retail business in India. The Company wishes to demerge the retail business into the Company and retain the real estate assets in HWPL. The Scheme of Arrangement is subject to the approval of the Shareholders and forms part of the notice of the ensuing 33rd Annual General Meeting of the Company.

**13. Material changes**

Himatsingka America Inc., a wholly owned subsidiary of Himatsingka Seide Limited concluded the acquisition of the home portfolio from the Global Brands Group Holding Limited on May 18, 2018. The acquired home portfolio includes the exclusive license rights to the famous and iconic Tommy Hilfiger Home brand, the Copper Fit brand and other brands.

**14. Conservation of energy, Technology absorption & Foreign exchange**

The details of conservation of energy, technology absorption and foreign exchange are annexed to the Board's Report as **Annexure 4.**

**15. Risk Management**

The Company has developed and implemented a comprehensive Risk Management Policy and framework to counter and mitigate the various risks encountered by the Company. In terms of the provisions of Section 134 of the Companies Act, 2013 a Risk Management Report is set out in this Annual Report.

**16. Board Committees**

The details pertaining to the composition of Board Committees are included in the Corporate Governance report, which is part of this report.

The details of the composition of CSR Committee, the CSR Policy and the CSR spending have been elaborated in the **Annexure 5** to this report.

**17. Board Performance Evaluation**

The Company has, during the year, conducted an evaluation of the Board as a whole, its committees and the individual Directors including the Independent Directors as stipulated in the Nomination and Remuneration Policy adopted by the Company. The evaluation was carried out through different evaluation forms which covered among others the evaluation of the composition of the Board/ committee, its effectiveness, activities, governance, and with respect to the Chairman and the individual Directors,their participation, integrity, independence, knowledge, impact and influence on the Board.

The Independent Directors of the Company also convened a separate meeting and evaluated the performance of the Board, the Non-Independent Directors and the Chairman.

**18. Directors and Key Managerial Personnel**

In accordance with the provisions of the Companies Act, 2013, and Articles of Association of the Company, Mr. V Vasudevan, Executive Director, retires by rotation and being eligible, offers himself for re-appointment. His re-appointment will be placed as one of the agenda items in the ensuing Annual General Meeting.

In accordance with the provisions of the Companies Act, 2013, the Board appointed Mr. Ashutosh Halbe as the Interim Chief Financial Officer of the Company w.e.f. July 5, 2017. Subsequently the Board at its meeting held on July 26, 2017 approved the appointment of Mr. K. P. Rangaraj, as the President Finance and Group Chief Financial Officer w.e.f., August 2, 2017.

**Retirements and Resignations**

- Mr. Berjis Desai resigned as Director with effect from May 23, 2017
- Mr. Aditya Himatsingka resigned as Executive Director with effect from May 23, 2017
- Mr. Ashutosh Halbe resigned as Interim Chief Financial Officer with effect from August 2, 2017 and continued to serve as Chief Financial Officer of North American operations.

Your Directors wish to place on record their deep appreciation for the outstanding contributions and services rendered by Mr. Berjis Desai and Mr. Aditya Himatsingka during their tenure.

**19. Vigil Mechanism**

As a vigilant organization, the Company takes adequate measures to ensure the highest standards of transparency, professionalism, integrity and compliance in its conduct of business.

It is Company's endeavor to provide its employees a secure working environment and therefore the Company has established a "Whistle Blower Policy" as required under the Companies Act, 2013. The same is also available on the Company's website.

Mr. Ashok Sharma, Company Secretary, has been designated as the Chief Compliance Officer under the policy and employees may report any lapse or suspected lapse of integrity and or compliance of any nature, financial or otherwise to him. In exceptional cases, where the Whistle Blower is not satisfied with the outcome of the investigation and or the decision, she/he may make a direct appeal to the Chairman of the Audit Committee, whose contact details are part of the Whistle Blower Policy.

During the year, no complaints were received under this mechanism.

**20. Remuneration of Directors and Key Managerial Personnel (KMP)**

a) Details of Directors' remuneration

**(₹ Lacs)**

| Director | DIN | Sitting fees | Salaries and Perks | Commission | Total | Ratio (x) | % Change |
|---|---|---|---|---|---|---|---|
| Mr. D K Himatsingka | 00139516 | Nil | 178.75 | 650.00 | 828.75 | 688.56:1 | 80.79 |
| Mr. Shrikant Himatsingka | 00122103 | Nil | 174.62 | 650.00 | 824.62 | 685.12 :1 | 83.70 |
| Mr. Vasudevan Veeraraghvan | 07521742 | Nil | 114.43 | 84.41 | 198.84 | 165.20:1 | 29.81 |
| Dr. K R S Murthy | 00167877 | 2.40 | Nil | 12.00 | 14.40 | 11.96:1 | 22.03 |
| Mr. Rajiv Khaitan^ | 00071487 | 2.20 | Nil | 12.00 | 14.20 | 11.80:1 | 21.37 |
| Ms. Sangeeta Kulkarni | 01690333 | 2.10 | Nil | 12.00 | 14.10 | 11.71:1 | 24.78 |
| Mr. Berjis M Desai* | 00153675 | 0.30 | Nil | Nil | 0.30 | 0.25:1 | -97.12 |
| Mr.Aditya Himatsingka# | 00138970 | Nil | 11.78 | Nil | 11.78 | 9.78 :1 | -93.74 |

* upto May 23, 2017 # upto May 23, 2017 ^Paid to Khaitan & Co., LLP.

In the remuneration mentioned above, the sitting fees, salaries and perquisites form the fixed component of the total remuneration and the commission is a variable component linked to the performance of the Company.

b) Details of the Remuneration of the KMP (other than Directors mentioned above)

**(₹ Lacs)**

| KMP | Designation | Total Remuneration (₹ Lacs) | %age increase over FY17 |
|---|---|---|---|
| Mr. Ashutosh Halbe (From 7/17 to 8/17) | Interim CFO | Nil | Nil |
| Mr. K P Rangaraj (From August 2, 2017) | President - Finance and Group CFO | 95.05 | N.A. |
| Mr. Ashok Sharma | SVP& CFO (Strategic Finance) & Company Secretary | 88.89 | 24.91 |

c) The percentage increase in median remuneration of the employees is 4.46%

d) The number of permanent employees in the rolls of the Company is 3,898

e) The average increase in the salaries of employees other than managerial personnel during the year was 6.49% and the average increase of the remuneration of managerial personnel was 53.49%. The increase in the remuneration of managerial personnel is in correlation to their individual performance and to the performance of the Company.

f) The key parameters for the variable component of remuneration availed by the directors are the amount of responsibilities taken, performance of the business and the specific contribution made by the director to the overall performance of the Company.

g) During the year, there were no employees whose remuneration was higher than that of the highest paid director.

h) It is hereby affirmed that the remuneration paid during the year is as per the Remuneration Policy of the Company

i) Information as per Rule 5(2) of the Chapter XIII, the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014:

The statement containing names of top ten employees in terms of remuneration drawn and the particulars of employees as required under Section 197(12) of the Act read with Rule 5(2) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, is provided in a separate annexure forming part of this report. Further, the report and the accounts are being sent to the members excluding the aforesaid annexure. In terms of Section 136 of the Act, the said annexure is open for inspection at the Registered Office of the Company. Any shareholder interested in obtaining a copy of the same may write to the Company Secretary.

**21. Investor Education and Protection Fund**

Pursuant to the applicable provisions of the Companies Act, 2013 read with the IEPF Authority (Accounting, Audit, Transfer and Refund) Rules, 2016 ('the Rules'), all unpaid or unclaimed dividends are required to be transferred by the Company to the IEPF established by the Government of India, after the completion of seven years. Further, according to the Rules, the shares on which dividend has not been paid or claimed by the shareholders for seven consecutive years or more shall also be transferred to the demat account of the IEPF Authority. Accordingly, the Company has transferred the unclaimed and unpaid dividends of ₹ 2,08,023. Further, 2,17,224 corresponding shares were transferred as per the requirements of the IEPF rules. The details are provided in the Shareholder information section of this Annual Report and are also available on our website at www.himatsingka.com.

**22. Corporate Governance**

We comply with the corporate governance code as prescribed by the stock exchanges and SEBI. You will find a detailed report on corporate governance as part of this Annual Report. The corporate governance Report along with Auditor's Certificate on compliance with the mandatory recommendations on corporate governance is annexed to this report as **Annexure 6.**

**23. Insurance**

The Company's assets are prone to risks / peril. The major risks / peril are adequately insured.

**24. Public Deposits**

The Company has not accepted any deposits from the public during the year within the meaning of the Companies Act, 2013.

**25. Disclosure as required under Section 22 of Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013**

The Company is committed to provide a safe work environment to all its employees. Hence, it does not tolerate any discriminationand/ or harassment in any form. The Company has in place a Prevention of Sexual Harassment Policy and an Internal ComplaintsCommittee as per the requirements of Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act,2013. The Company has not received any complaint during the year.

**26. Dividend Distribution Policy**

The Board of Directors of the Company have adopted a Dividend Distribution Policy as required under Regulation 43A of SEBI (Listing Obligations and Disclosure Requirements) (Second Amendment) Regulations, 2016. The policy is attached as **Annexure 7.**

**27. Business Responsibility Reporting**

As per SEBI Listing Regulations, a Business Responsibility Report is attached and forms part of this Annual Report.

**Acknowledgement**

Your Directors wish to place on record their appreciation of the continuous efforts made by all employees in ensuring a commendable operational performance. Your Directors also wish to thank the Group's Customers, Suppliers, Shareholders, Bankers and other Stakeholders including the Central and the State Governments for their continued support.

For and on behalf of the Board

Place: Bengaluru
Date: August 9, 2018

**D.K. Himatsingka**
(Executive Chairman)

# ANNEXURES TO THE BOARDS' REPORT

**Annexure-1**: **Statement regarding subsidiary companies as of March 31, 2018**

Pursuant to Section 129 of the Companies Act, 2013, read with Rule 5 of Companies (Accounts) Rules, 2014- Form AOC-1

**Part "A" Subsidiaries**

**(₹ Lacs)**

| Sl.No | Name of the subsidiary | T&O | GB | HWPL | HSPL | HHNA | HIMA | HEL |
|---|---|---|---|---|---|---|---|---|
| 1. | Capital | 53.10 | 8,656.78 | 1,750.00 | 2,990.69 | 30,823.00 | - | 8,379.17 |
| 2. | Reserves | (461.81) | (3,493.89) | 494.02 | (2,974.58) | (224.30) | 35,862.99 | 22.13 |
| 3. | Total Assets | 185.32 | 20,089.16 | 7,726.01 | 22.82 | 91,451.11 | 89,167.58 | 8,472.52 |
| 4. | Total Liabilities ^ | 594.03 | 14,926.27 | 5,481.99 | 6.71 | 60,852.41 | 53,304.59 | 71.21 |
| 5. | Investments (Other than in subsidiaries) | - | - | - | - | - | - | - |
| 6. | Turnover | 528.92 | 8,123.24 | 2,871.04 | - | 54,990.03 | 167,565.50 | 446.40 |
| 7. | Profit/ (Loss) Before Tax | (150.20) | (1,062.53) | (384.84) | (61.64) | (1,167.07) | 4,432.64 | 20.94 |
| 8. | Provision for Taxation | - | (1.36) | 1,381.41 | - | (930.53) | (3,558.61) | - |
| 9. | Profit/ (Loss) After Tax | (150.20) | (1,063.89) | 996.57 | (61.64) | (2,097.60) | 874.04 | 20.94 |
| 10. | Proposed Dividend | - | - | - | - | - | - | - |
| 11. | Closing exchange rate | AED/17.70 | EUR/80.63 | ₹/1.00 | SGD/49.69 | USD/65.00 | USD/65.00 | GBP/92.26 |
| 12. | Average exchange rate | AED/17.54 | EUR/75.67 | ₹/1.00 | SGD/47.59 | USD/64.43 | USD/64.43 | GBP/85.69 |
| 13. | Reporting Currency | AED | EURO | ₹ | SGD | USD | USD | GBP |
| 14. | Reporting Period | 31-Mar-18 | 31-Mar-18 | 31-Mar-18 | 31-Mar-18 | 31-Mar-18 | 31-Mar-18 | 31-Mar-18 |
| 15. | Extent of Shareholding | 49 | 100 | 100 | 100 | 100 | 100 | 100 |

T&O=Twill & Oxford, LLC; GB=Giuseppe Bellora S.rl; HWPL=Himatsingka Wovens Pvt. Ltd.; HSPL=Himatsingka Singapore Pte Ltd.,HHNA=Himatsingka Holdings North America, Inc.; HIMA=Himatsingka America Inc.; HEL=Himatsingka Europa Ltd. ^ (excluding Capital and Reserves and including current liabilities and provisions)

**Part "B" Associate**

**(₹ Lacs)**

| Sl. No | Name of the Associate | Latest Audited Balance Sheet | Shares of Associate/held by the company on the year end | | | Description of how there is significant influence | Reason why the associate is not consolidated | Networth attributable to Shareholding as per latest audited Balance Sheet | Profit/Loss for the year | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | No. | Amount of investment in Associates | Extent of Holding % | | | | i. Considered in Consolidation | i. Not Considered in Consolidation |
| 1 | Himatsingka Energy Pvt. Ltd., # | 31.03.2018 | 2600 | 0.26 | 26% | N.A. | N.A. | 1.44 | (0.26) | - |

# Associate Company w.e.f January 02, 2018

For and on behalf of the Board of Directors

**D K Himatsingka**
(Executive Chairman)

**Shrikant Himatsingka**
(Managing Director & CEO)

**K P Rangaraj**
(Chief Financial Officer)

**Ashok Sharma**
(Company Secretary)

Place : Bengaluru
Date : May 25, 2018

**Annexure 2**

**Form No. MR-3**
**SECRETARIAL AUDIT REPORT**

For the Financial Year ended March 31, 2018
[Pursuant to Section 204(1) of the Companies Act, 2013 and Rule No. 9 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014]

To,

**The Members**
**M/s Himatsingka Seide Limited**
10/24, Kumara Krupa Road
High Grounds, Bangalore – 560001

I have conducted the secretarial audit of the compliance of applicable statutory provision e 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, 2018,complied with the statutory provisions listed hereunder and also that the Company has proper Board-processes and compliance-mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

I have examined the books, papers, minute books, forms and returns filed and other records maintained by M/s Himatsingka Seide Limited for the financial year ended on 31st March, 2018 according to the provisions of:

I. The Companies Act, 2013 (the Act) and the Rules made thereunder;
II. The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the Rules made thereunder;
III. The Depositories Act, 1996 and the Regulations and Bye-laws framed thereunder;
IV. Foreign Exchange Management Act, 1999 and the Rules and Regulations made thereunder to the extent of investment in overseas subsidiary andExternal Commercial Borrowings;
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, 1992;
c) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements)Regulati egulations, 1993 regarding the Companies Act and dealing with client;
g) The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009; and
h) The Securities and Exchange Board of India (Buyback of Securities) Regulations, 1998;

VI. Other laws applicable to the Company like Factories Act, 1948, The Payment of Gratuity Act etc.,

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

(i) Secretarial Standards issued by The Institute of Company Secretaries of India.

(ii) The Listing Agreements entered into by the Company with the BSE Limited, National Stock Exchange of India Limited.

During the period under review the Company has complied with the provisions of the Act, Rules, Regulations, Guidelines, Standards etc mentioned above except to the extent as mentioned below

1. The company could not spend the eligible profit on Corporate Social Responsibility measures. However the Company has constituted the CSR Committee and its constitution was as per the regulation.

**I further report that,**

The Board of Directors of the Company is duly constituted with proper balance of Executive Directors, Non- Executive Directors, Woman Director and Independent Directors. The Changes in the composition of the Board of Directors that took place during the period under review were carried out in compliance with the provisions of the Act. Adequate notice is given to all directors to schedule the Board Meetings, agenda and detailed notes on agenda were sent at least seven days in advance, and a system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting.
Majority decision is carried through while the dissenting members' views are captured and recorded as part of the minutes.

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

**Place : Bengaluru**
**Date :** July 4, 2018

**VIVEK BHAT**
Practicing Company Secretary, CP 8426

This report is to be read with my letter of even date which is annexed as Annexure A and forms an integral part of this report.

**Annexure A**

To,
The Members
M/s Himatsingka Seide Limited
10/24, Kumara Krupa Road
High Grounds, Bangalore – 560001.

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

1. Maintenance of secretarial record is the responsibility of the management of the Company. My responsibility is to express 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, standards is the responsibility of management. My examination was limited to the verification of procedures on test basis.
6. The Secretarial Audit report is neither an assurance as to the future viability of the company nor of the efficacy or effectiveness with which the management has conducted the affairs of the Company.

**Place : Bengaluru**
**Date :** July 4, 2018

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**Annexure 3**

Details of Related Party Transactions pursuant to clause (h) of sub-section (3) of section 134 of the Act and Rule 8(2) of the Companies (Accounts) Rules, 2014

| Sl. No | Name of the Related Party | Nature of relationship | Nature of contract/ arrangement/ transaction | Salient terms | ₹ Lacs |
|---|---|---|---|---|---|
| 1. | HHNA INC.^ | WoS^ | Sale of goods (net) | Based on Transfer Pricing guidelines | 55,053 |
| | | | Interest income | Based on Transfer Pricing guidelines | 1,879 |
| | | | Expenses incurred on behalf of | Based on Transfer Pricing guidelines | 185 |
| | | | Reimbursement of Expenses | Based on Transfer Pricing guidelines | 91 |
| | | | Inter corporate loans recovered during the year | As per Agreement | 647 |
| 2. | HIMA INC. ^ | WoS^ | Sale of goods (net) | Based on Transfer Pricing guidelines | 63,820 |
| | | | Sales commission | As per Agreement | - |
| | | | Other Income | Based on Transfer Pricing guidelines | - |
| | | | Recovery of corporate expenses | As per Agreement | - |
| | | | Expenses incurred on behalf of | Based on Transfer Pricing guidelines | - |
| | | | Reimbursement of Expenses | Based on Transfer Pricing guidelines | 1,567 |
| | | | Purchase of Goods | Based on Transfer Pricing guidelines | 935 |

^HHNA INC = Himatsingka Holdings North America, Inc.; HIMA INC = Himatsingka America, Inc.; WoS = Wholly owned Subsidiary

For and on behalf of the Board

**Place: Bengaluru**
Date: August 9, 2018

**D.K. Himatsingka**
(Executive Chairman)

**Annexure 4:**

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

**A) Conservation of Energy**

**a. The Company undertook the following steps for conservation of energy / utilizing alternate sourch of energy:**

- Installed new improved higher efficient Thermic Fluid heater to reduce coal consumption.
- Transparent sheets in the roof were replaced to improve day light and to avoid using lights in day time. Replaced conventional light fitting to LED fittings in production and general area. Installation of timers for streetlights.
- Installed new high capacity centrifugal air compressor to optimize power consumption per cfm (cubic feet per minute) of air generated
- Upgraded technology of effluent treatment plants to reduce sludge generation and thereby reduced the energy required to dry sludge.

Investment incurred on the above measure amounted to approximately ₹ 3.5 Crores.

**B) Technology Absorption:**

**a. Efforts in brief made towards technology absorption, adoption and innovations:**

i. The Company is continuously embracing new technology platforms to manufacture products that epitomize lean resource consumption and drives sustainability.

ii. The Company's efforts include using state of the art plant and machinery that drive automation and digitization

iii. Construction and operation of inclusive infrastructure that maximize sustainability

**b. Benefits derived as a result of the above efforts:**

i. Benefits from the efforts above include cost rationalization, enhancement of productivity including operating efficiencies and optimal resource utilization.

ii. Technology absorption efforts also pave the way for creating unique products that help the Company maintain sustainable competitive advantages and position it to be a preferred partner.

**c. Information regarding imported technology:**

Not applicable

**d. Expenditure on R&D**

- For the year 2017-18, the Company incurred ₹ 818.04 lacs towards recurring expenditure on R&D. The total R&D expenditure as a percentage of turnover is 0.5 %.

**C) Foreign Exchange Earnings and Outgo**

| Particulars | ₹ Lacs |
|---|---|
| **Earnings** | |
| Export (FOB Value) | 135,677.38 |
| Interest | 1,881.80 |
| **Outgo** | |
| Import of raw material and other inputs | 35,104.70 |
| Other expenses | 1,809.29 |
| Net foreign exchange earnings from operations | 100,645.19 |
| Import of capital goods | 15,711.18 |

**Annexure 5** **Annual Report on Corporate Social Responsibility Activities**

1. **Brief Outline**:

Corporate Social Responsibility (CSR) is central to the operating philosophy of the Company as it is the Company's constant endeavour to ensure that its businesses uphold the highest standards of governance and compliance. The Company proposes to engage in one or more CSR activities falling under the list prescribed under the schedule VII of the Companies Act, 2013. The Company has drafted a CSR policy and the same is available at its website at www.himatsingka.com.

2. **The composition of the CSR Committee**

The Corporate Social Responsibility (CSR) committee consists of the following directors:

| Sl. No. | Name of the Director | Designation |
|---|---|---|
| 1. | Dr. K R S Murthy | Chairman |
| 2. | Mr. D K Himatsingka | Member |
| 3. | Mr. Shrikant Himatsingka | Member |
| 4. | Ms. Sangeeta Kulkarni(w.e.f., May 25, 2018) | Member |

3. **Average net profit of the Company for last three financial years is ₹18428.28 Lakhs.**
4. **The prescribed CSR expenditure for the year is ₹ 368.59 Lakhs, taken at 2% of the abovementioned average net profit.**
5. **Details of CSR spent during the financial year**

- Total amount to be spent for the financial year was ₹ 368.59 Lacs
- Amount unspent at the end of the year was ₹ 306.76 Lacs
- Manner in which the amount was spent for the financial year is detailed below:

| (1) Sl. No. | (2) CSR Project or activity Identified | (3) Sectors in which the project is covered | (4) Location of projects or programs | (5) Amount outlay (budget) project or program wise (₹) | (6) Amount spent on the projects or programs | (7) Cumulative expenditure upto the reporting period (₹) | (8) Cumulative expenditure upto the reporting period (₹) |
|---|---|---|---|---|---|---|---|
| 1. | Indian Heritage | Clause v of Schedule VII | Shekhawati, Rajasthan | 5,00,000 | 5,00,000 | 5,00,000 | Shruti Foundation |
| 2. | Training to promote Olympic sports, | Clause vi of Schedule VII | Bengaluru, Karnataka | 4,00,000 | 4,00,000 | 4,00,000 | Direct |
| 3. | Donation to Deepshikha Institute for Child Development and Mental Health | Clause ii of Schedule VII | Ranchi, Jharkhand | 11,21,085 | 11,21,085 | 11,21,085 | Direct |
| 4. | Education-Whole School Enrichment Programme | Clause ii of Schedule VII | Kattaya, Hassan, Karnataka | 16,66,841 | 16,66,841 | 16,66,841 | Direct |
| 5. | Vision exercise for Himatsingka Foundation | Clause ii of Schedule VII | Hassan, Karnataka | 3,64,856 | 3,64,856 | 3,64,856 | Direct |
| 6. | Education-Himatsingka Bridge Course | Clause ii of Schedule VII | Doddaballapur and Hassan | 3,97,729 | 3,97,729 | 3,97,729 | Direct |
| 7. | Education - Train the Trainer | Clause ii of Schedule VII | Hassan, Karnataka | 1,03,891 | 1,03,891 | 1,03,891 | The Teacher Foundation |
| 8. | Implementation of e-class room solutions | Clause ii of Schedule VII | Doddaballapur, Karnataka | 2,19,840 | 2,19,840 | 2,19,840 | Children's Lovecastles Trust |
| 9. | Education-Remedial classes | Clause ii of Schedule VII | Hassan, Karnataka | 31,000 | 31,000 | 31,000 | Direct |
| 10. | CSR Administrative Expenses | Rule 4(iii)of CSR Rules | Karnataka, India | 13,78,183 | 13,78,183 | 13,78,183 | Direct |
| | | | | | **Total** | **61,83,425** | |

6. The remaining amount has not been spent The same has been explained in the Board's Report.
7. The implementation and monitoring of CSR activities is in compliance with CSR objectives and Policy of the company.

**Dr. K R S Murthy**
(Chairman, CSR Committee)

**Shrikant Himatsingka**
(Managing Director & CEO)

**Annexure 6**

# CORPORATE GOVERNANCE

Pursuant to Regulation 34(3) and Schedule V(C) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("LODR").

## 1. Company's Governance Philosophy

Corporate Governance refers to a combination of laws, regulations, procedures, implicit rules and good corporate practices that ensure Company's adherence to fair practices in order to meet the obligations to various stakeholders.

Himatsingka is committed to set the highest standards of Corporate Governance in order to create stakeholder value. We believe Corporate Governance is integral to managing and monitoring a corporation with the highest degree of responsibility. At its core, our governance practices endeavor to maximize integrity, transparency, ethical practices and accountability in the conduct of business. The Corporate Governance framework ensures that we make timely and accurate disclosures regarding the financial and operating performance, ownership and governance of the Company.

Your Company will continue to focus its resources and capabilities to ensure Corporate Governance practices are current, relevant and sustainable in order to safeguard the interest of stakeholders and strengthen the very foundation and principles on which the Company builds and expands businesses.

## 2. Board of Directors (Board)

The Company has a balanced mix of Executive and Non-Executive Independent Directors. As at March 31, 2018, the Board of Directors comprises of 6 (Six) Directors, of which 3 (three) are Non-Executive Independent Directors including one Woman Director. The Chairman is an Executive Director and the Promoter of the Company. The number of Independent Director is 3 (three). The composition of the Board is in accordance with the Regulation 17(1) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and is within the percentages stipulated in the subject clause and Regulation, respectively.

The Non-Executive Directors are professionals with rich experience in management, finance, law and banking.

None of the Directors on the Board is a Member on more than 10 Committees and Chairman of more than 5 Committees as specified in Regulation 26 of SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015, across all the listed companies in which he or she is a Director. All the Directors have made the necessary disclosures regarding their Committee positions in other companies as on March 31, 2018.

The names and categories of the Directors on the Board, their attendance at Board Meetings held during the year and at the last Annual General Meeting, number of Directorships and Committee Memberships held by them in other public companies, and also the No. of shares held by Directors are given below:

| Name | Category (#) | Board Meetings Attended /Held | Attendance at last AGM | No. of Directorships held in other companies@ | No. of Committee positions in other public companies* | | No. of shares held by Directors |
|---|---|---|---|---|---|---|---|
| | | | | | Member | Chairman | |
| Mr. D K Himatsingka | P, EC | 6/8 | Yes | 5 | Nil | Nil | 1,19,68,000 |
| Mr. Shrikant Himatsingka | P, E | 8/8 | Yes | 5 | 1 | 0 | 84,80,964 |
| Mr. V. Vasudevan | E | 8/8 | Yes | Nil | Nil | Nil | Nil |
| Dr. K R S Murthy | I | 8/8 | Yes | 4 | 1 | 1 | 1,000 |
| Mr. Rajiv Khaitan | I | 8/8 | Yes | 6 | 2 | 1 | 4,200 |
| Ms. Sangeeta Kulkarni | I | 8/8 | Yes | 5 | Nil | Nil | Nil |
| Mr. Berjis M Desai** | I | 1/1 | No | N.A | N.A. | N.A | Nil |
| Mr. AdityaHimatsingka** | P, E | 0/1 | No | N.A | N.A. | N.A. | 28,08,808 |

# EC = Executive Chairman, E = Executive Director, I = Independent, NE = Non Executive, NI = Non Independent, P = Promoter.
@ For the purpose of considering the limit of directorship, private companies and companies under Section 8 of the Companies Act, 2013 have been included, but foreign companies have been excluded.

* For the purpose of considering limit of committee membership, private limited companies, foreign companies and companies under section 8 of the Companies Act, 2013 have been excluded. Chairmanship/Membership of only Audit Committee and Stakeholders' Relationship Committee is considered.

** Resigned w.e.f., May 23, 2017

None of the Directors are related to each other, except Mr. Shrikant Himatsingka is the son of Mr. D. K. Himatsingka.

During the year 2017-18, the Board of Directors met eight times on the following dates: May 23, 2017, July 5, 2017, July 26, 2017, August 10, 2017, September 23, 2017, November 7, 2017, February 9, 2018 and March 31, 2018. The time gap between two meetings did not exceed 120 days.

**Code of Conduct**

The Company has adopted the Code of Conduct for the Board of Directors and Senior Management Personnel of the Company. The Company has received confirmations from the Directors as well as Senior Management Personnel regarding compliance of the Code during the year under review. Both the codes are posted on the website of the Company.

During the year, information as required under Schedule II part A of Regulation 17 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 has been placed to the Board for its consideration.

**Familiarization Programme and Training**

The Board members are provided with necessary documents/brochures, reports and internal policies to enable them to familiarize with the Company's procedures and practices. In addition, presentations are made at the Board and Committee Meetings on the performance of the Company along with subsidiaries and quarterly updates on relevant statutory changes. The details of familiarization programme for Independent Directors are posted on the website of the Company at http://www.himatsingka.com/corporate-governance.html .

**Re-appointment of Directors**

In accordance with the provisions of the Companies Act, 2013, and the Articles of Association of the Company, Mr. V.Vasudevan being eligible, offers himself for re-appointment. His re-appointment will be placed as one of the agenda in the ensuing Annual General Meeting.

**3. Audit Committee**

The constitution of the Committee is in conformation with the requirements under Section 177 of the Companies Act, 2013 and Regulation 18 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015. No changes were required to be made to the Committee structure during the year.

The Audit Committee of the Board, inter alia, provides reassurance to the Board on the existence of an effective internal control environment that ensures:

- efficiency and effectiveness of operations;
- safeguarding of assets and adequacy of provisions for all liabilities;
- reliability of financial and other management information and adequacy of disclosures;
- compliance with all relevant statutes.

**The functions of the Audit Committee include the following:**

- The recommendation for appointment, remuneration and terms of appointment of auditors of the Company;
- Review and monitor the auditor's independence and performance, and effectiveness of audit process;
- Examination of the financial statement and the auditors' report thereon;
- Approval or any subsequent modification of transactions of the Company with related parties;
- Scrutiny of inter-corporate loans and investments;
- Valuation of undertakings or assets of the Company, wherever it is necessary;
- Evaluation of internal financial controls and risk management systems;
- Monitoring the end use of funds raised through public offers and related matters;
- 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;
- Approval of payment to statutory auditors for any other services rendered by the statutory auditors;
- Reviewing, with the management, the annual financial statements and auditor's report thereon before submission to the Board for approval, with particular reference to:
  - Matters required to be included in the Director's Responsibility Statement to be included in the Board's report in terms of clause (c) of sub-section 3 of section 134 of the Companies Act, 2013;
  - Changes, if any, in accounting policies and practices and reasons for the same;
  - Major accounting entries involving estimates based on the exercise of judgment by management;
  - Significant adjustments made in the financial statements arising out of audit findings;
  - Compliance with listing and other legal requirements relating to financial statements;
  - Disclosure of any related party transactions;
  - Modified opinion(s) in the draft audit report;

- Reviewing, with the management, the quarterly financial statements before submission to the Board for approval;
- Reviewing, with the management, the statement of uses / application of funds raised through an issue (public issue, rights issue, preferential issue, etc.), the statement of funds utilized for purposes other than those stated in the offer document / prospectus / notice and the report submitted by the monitoring agency monitoring the utilisation of proceeds of a public orrights issue, and making appropriate recommendations to the Board to take up steps in this matter;
- Reviewing, with the management, performance of statutory and internal auditors, adequacy of the internal control systems;
- Reviewing the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit;
- Discussion with internal auditors of any significant findings and follow up there on;
- 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;
- 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;
- To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non-payment of declared dividends) and creditors;
- To review the functioning of the Whistle Blower mechanism;
- Approval of appointment of CFO (i.e., the whole-time Finance Director or any other person heading the finance function or discharging that function) after assessing the qualifications, experience and background, etc. of the candidate;

During the year 2017-18, the Audit Committee met on seven occasions i.e. May 23, 2017, July 5, 2017, July 26, 2017, August 10, 2017, November 7, 2017, February 9, 2018 and March 31, 2018. The minutes of the Audit Committee meetings are placed before the Board of Directors in the subsequent Board Meeting. The Chairman of the Committee was present in all the seven meetings held.

The constitution of the Audit Committee and attendance of the members for the year 2017-18 is as under:

| Name of Director | Position | No. of meetings attended/ held |
|---|---|---|
| Mr. Rajiv Khaitan | Chairman | 7/7 |
| Dr. K.R.S. Murthy | Member | 7/7 |
| Mr. Berjis M Desai* | Member | 1/1 |
| Mr. Shrikant Himatsingka | Member | 6/7 |
| Ms. Sangeeta Kulkarni | Member | 7/7 |

* Resigned w.e.f., May 23, 2017

Mr. Rajiv Khaitan, Chairman of the Audit Committee was present at the last Annual General Meeting. The Statutory Auditor, Internal Auditor, and the Chief Financial Officer are invited to attend and participate at meetings of the Committee. The Company Secretary acts as the secretary to the Committee.

**4. Nomination and Remuneration Committee**

The constitution of the Committee is in conformation with the requirements under Section 178 of the Companies Act, 2013 and Regulation 19 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015. The Nomination and Remuneration Committee of the Board comprises of three Independent Directors. During the year 2017-18, the Committee met on Six occasions i.e., May 23, 2017, July 5, 2017, July 26, 2017, August 10, 2017, November 7, 2017 & February 9, 2018.

The annual compensation of the Executive Directors is approved by the Committee within the parameters set by the shareholders at their meetings.

The Committee has devised a Nomination and Remuneration Policy in line with the requirements under the Companies Act, 2013 and under the SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015, which includes performance evaluation criteria for Independent Directors and the Board. The minutes of the Nomination and Remuneration Committee meetings are placed before the Board of Directors in the subsequent Board Meeting. The Chairman of the Committee was present in all the six meetings held. The Policy is enclosed as an annexure to the Boards' Report.

The following Directors are the members of the Committee:

| Name of Director | Position | No. of meetings attended/ held |
|---|---|---|
| Mr. Rajiv Khaitan | Chairman | 6/6 |
| Dr. K.R.S. Murthy | Member | 6/6 |
| Mr. Berjis M Desai* | Member | 1/1 |
| Ms. Sangeeta Kulkarni** | Member | 5/5 |

*Resigned w.e.f., May 23, 2017; ** Appointed as member of the Committee w.e.f., June 30, 2017,

Mr. Rajiv Khaitan, Chairman of the Nomination and Remuneration Committee was present at the last Annual General Meeting. The Company Secretary of the Company acts as the secretary to the Committee. The terms of reference is provided in the Nomination and Remuneration Policy which is available on the Company's website at http://www.himatsingka.com/corporate-governance.html

**5. Remuneration of Directors**

The Company pays remuneration by way of salary, perquisites and allowances (fixed component) and commission (variable component) to the Managing and Executive Directors. In addition to sitting fees, Commission is paid to Non-Executive Directors. Commission is calculated with reference to net profits of the Company in a particular financial year and is determined by the Board of Directors at the end of the financial year, subject to overall ceiling stipulated in Sections 197 of the Companies Act, 2013 The remuneration is closely linked to the performance of the Company.

Given below are the details of Directors Remuneration during the financial year 2017-18

**(₹ Lacs)**

| Name | Sitting fees | Salaries and perquisites | Profit linked Commission | Total |
|---|---|---|---|---|
| Mr. D K Himatsingka | Nil | 178.75 | 650.00 | 828.75 |
| Mr. Shrikant Himatsingka | Nil | 174.62 | 650.00 | 824.62 |
| Mr. V. Vasudevan | Nil | 114.43 | 84.41 | 198.84 |
| Rajiv Khaitan^ | 2.20 | Nil | 12.00 | 14.20 |
| Dr. K R S Murthy | 2.40 | Nil | 12.00 | 14.40 |
| Ms.Sangeeta Kulkarni | 2.10 | Nil | 12.00 | 14.10 |
| Mr. Berjis M Desai* | 0.30 | Nil | Nil | 0.30 |
| Mr. Aditya Himatsingka * | Nil | 11.78 | Nil | 11.78 |

*Resigned w.e.f., May 23, 2017; ^Paid to Khaitan and co, LLP.

**The Contract tenures of the Executive Directors are as follows:**

| No | Name | Tenure |
|---|---|---|
| 1. | Mr. D. K. Himatsingka | From April 1, 2014 to March 31, 2019 |
| 2. | Mr. Shrikant Himatsingka | From June 3, 2013 to June 2, 2018 |
| 3. | Mr. V. Vasudevan | From May 21, 2016 to May 20, 2021 |

**The following represent the details of pecuniary transactions entered by the Company where the non-executive Directors are interested:–**

**(₹ Lacs)**

| Name of the Director | Purpose | Amount |
|---|---|---|
| Mr. Rajiv Khaitan | Professional fees paid to Khaitan & Co. LLP | 33.27 |

Mr. Rajiv Khaitan is a senior partner of M/s. Khaitan & Co., LLP, Solicitors and Advocates who have professional relationship with the Company.

Apart from the above, none of the other Non-Executive Directors have any pecuniary relationship or transaction with the Company, its promoters, its management or its subsidiaries.

**Criteria for making payments to Non-Executive Directors:**

The Non-Executive Directors (NEDs) are paid remuneration by way of Commission and Sitting Fees. In terms of the shareholders' approval obtained at the AGM held on September 23, 2014 for a period of five years commencing from April 1, 2014, the Commission is paid at a rate not exceeding 1% per annum of the profits of the Company computed in accordance with Section 197 of the Companies Act, 2013. The approval for payment of commission to NEDs is valid upto March 31, 2019.

A sitting fee of ₹ 10,000/- for attendance at each meeting of the Board, Audit Committee, Remuneration Committee, Risk Management Committee and Independent Directors' meeting is paid to its Members (excluding Executive Directors).

The Company also reimburses out-of-pocket expenses to Directors for attending meetings.

**6. Share Transfer Committee**

The Company has a Share Transfer Committee. This comprises three Directors. The Committee deals with various matters relating to share transfer, share transmission, issue of duplicate share certificates, the approval of split and consolidation requests, the dematerialization and re-materialisation of shares as well as other matters that relate to the transfer and registration of shares. The members of this committee are Mr. D.K. Himatsingka, Mr. Shrikant Himatsingka and Mr.V Vasudevan.

**7. Stakeholder's Relationship Committee**

The constitution of the Committee is in conformation with the requirements under Section 178 of the Companies Act, 2013 and Regulation 20 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015. The Company has a Stakeholders Relationship Committee comprising of three Directors and the Chairman is an Independent, Non-Executive Director. The Committee looks into redressing of shareholder and investors complaints like transfer of shares, non-receipt of annual reports, non-receipt of declared dividend and related matters.

Four meetings of the Committee were held during the year – on May 23, 2017, August 10, 2017, November 7, 2017 and February 9, 2018. The Chairman of the Committee was present in all the four meetings held.

The minutes of the Stakeholders Relationship Committee meetings are placed before the Board of Directors in the subsequent Board meeting.

Constitution of Stakeholders Relationship Committee for the year 2017-18 and related information:

| Name of Director | Position | No. of meetings attended/ held |
|---|---|---|
| Dr K R S Murthy | Chairman | 4/4 |
| Mr. Rajiv Khaitan | Member | 4/4 |
| Mr. D.K. Himatsingka | Member | 4/4 |

The Company Secretary of the Company acts as the secretary to the Committee.

There were no pending investor complaints at the beginning of the year. During the year 2017-18, the Company received 141 investor complaints, which have been attended to and no complaints remain unresolved at the end of the year.

**8. Risk Management Committee**

The Board has constituted a Risk Management Committee whose prime responsibility is to implement and monitor the risk management plans and policy of the Company. During the year two meetings of the Committee were held on August 10, 2017 and February 9, 2018. The minutes of Risk Management Committee meetings are placed before the Board of Directors in the subsequent Board meeting.

Constitution of Risk Management Committee for the year 2017-18 and related information:

| Name of Director | Position | No. of meetings attended/ held |
|---|---|---|
| Dr. K R S Murthy | Chairman | 2/2 |
| Mr. Shrikant Himatsingka | Member | 1/2 |
| Mr. V. Vasudevan | Member | 2/2 |

The Chief Financial Officer, Head of Marketing, Head of Treasury, and Vice President (Corporate Finance) are permanent invitees to the Committee.

**9. Corporate Social Responsibility**

The constitution of the Committee is in conformation with the requirements under Section 135 of the Companies Act, 2013. The Board constituted a Corporate Social Responsibility Committee on May 15, 2014. During the year two meetings of the committee were held on May 23, 2017 and November 20, 2017. The minutes of the Corporate Social Responsibility Committee meetings are placed before the Board of Directors in the subsequent Board meeting. The Chairman of the Committee was present in both the meetings

Constitution of the Corporate Social Responsibility Committee for the year 2017-18 and related information:

| Name of Director | Position | No. of meetings attended/ held |
|---|---|---|
| Dr. K R S Murthy | Chairman | 2/2 |
| Mr. D. K Himatsingka | Member | 2/2 |
| Mr. Shrikant Himatsingka | Member | 2/2 |

**10. General Body Meetings**

The last three Annual General Meetings of the Company were held on the following dates, time and venue:

| Date | Year | Time | Venue | No. of Special Resolutions passed |
|---|---|---|---|---|
| September 23, 2017 | 2016-17 | 2.00 p.m. | The LaLiT Ashok, Kumara Krupa Road, Bangalore – 560001 | 1 |
| September 17, 2016 | 2015-16 | 2.00 p.m. | The LaLiT Ashok, Kumara Krupa Road, Bangalore – 560001 | Nil |
| September 15, 2015 | 2014-15 | 2.00 p.m. | The LaLiT Ashok, Kumara Krupa Road, Bangalore – 560001 | 2 |

**Postal Ballot**

During the year under review no resolutions were passed through Postal Ballot. Further, as on date of this report, no Special Resolutions are proposed to be passed through postal ballot.

**11. Means of Communication**

- The relevant information relating to the Directors who would be appointed/re-appointed at the ensuing Annual General Meeting is given in the Notice convening the Annual General Meeting.
- The Quarterly, Half yearly, Nine monthly and Annual Financial Results of the Company are intimated to stock exchange immediately after they are approved by the Board and were published in Business Standard, Business Line, Financial Express, Economic Times (all editions) – English Newspaper, and VarthaBharati – Kannada newspaper, Bengaluru.
- The financial results and official news releases are also displayed on our website www.himatsingka.com and the website of the Company displays the Investor Updates and presentations made to the institutional investors and analysts from time to time.
- Reminders for unclaimed dividend are sent to the shareholders, as per records, before transferring the unclaimed dividend to Investor Education Protection Fund.
- The Company has designated investors@himatsingka.com as the Designated Exclusive email-id, for redressal of investor grievances.

**12. Code for Prevention of Insider Trading**

The Company has adopted a code of conduct for Prevention of Insider Trading in the shares of the Company. The Code, inter-alia, prohibits purchase/sale of shares of the Company by employees while in possession of unpublished price sensitive information in relation to the Company.

**13. CEO/CFO Certification**

The CEO and CFO give quarterly and annual certification of the financial statements to the Board, as required under Regulation 33 and Schedule II part B of Regulation 17 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

**14. Reconciliation of Share Capital Audit**

A qualified Practicing Company Secretary carries out quarterly Reconciliation of Share Capital audits to reconcile the total admitted capital with National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) and the total issued and listed capital. The audit confirms that the total issued/paid up capital is in agreement with the aggregate of total number of shares in physical form and the total number of dematerialized shares held with NSDL and CDSL.

**15. Compliance Certificate by Auditors**

The certificate regarding compliance of the conditions of corporate governance obtained from our statutory auditors M/s. BSR & Co., LLP as stipulated under Schedule V(E) of the SEBI (LODR) Regulations, 2015 which is annexed here with is given elsewhere in this Annual Report.

**16. Compliance Officer**

The name and designation of the Compliance Officer of the Company is:

Mr. Ashok Sharma - Company Secretary

Contact details: **T:** +91 80 22378000; **F:** +91 80 4147 9384; **E:** investors@himatsingka.com

**17. Disclosures**

**a. Subsidiary Companies**

- None of the Company's Indian Subsidiaries fall under the definition of "material non listed Indian subsidiary as defined under the listing regulations"
- The Audit Committee of the Company reviews the financial statements and in particular the investments made by unlisted subsidiaries of the Company.
- The minutes of the board meetings of unlisted subsidiaries are periodically placed before the Board of the Company. The Board is periodically informed about all significant transactions and arrangements entered into by the unlisted subsidiaries of the Company.

**b. Related party transactions**

The statutory disclosure requirements relating to related party transactions have been complied within the Annual Accounts (Note 35) There were no material transactions during the year 2017-2018 that are prejudicial to the interest of the Company.

**c. Disclosure of Accounting Treatment**

There is no deviation in following the treatments prescribed in any Accounting Standard in preparation of financial statements for the year 2017-18.

**d. Whistle Blower Policy**

A Whistle Blower Policy is adopted by the Company, the whistle blower mechanism is in force and no personnel has been denied access to the Audit Committee

**e. Board Disclosures – Risk Management**

The risk assessment and minimization procedures are in place and the Board is regularly informed about the business risks and the steps taken to mitigate the same. A report on Risk Management is included elsewhere in this Annual Report.

**f.** Terms and Conditions of appointment of Independent Directors are posted on the website of the company at http://www.himatsingka.com/ corporate-governance.html

**g.** The Management Discussion and Analysis report is included elsewhere in this Annual Report.

**h**. All the mandatory requirements have been duly complied with.

**i**. With regard to adoption of non-mandatory requirements as specified in Part E of Schedule II, the Company has a Executive Director as its Chairman, it has appointed separate persons as Chairman and CEO, and the Internal Auditors report directly to the Audit Committee.

**j. Statutory Compliance, Penalties and Strictures**

The Company complied with all the requirements of the Stock Exchanges/ SEBI/ and other statutory authorities on all matters related to the capital markets during the last three years. There were no penalties or strictures imposed on the Company by the Stock Exchanges, the SEBI or any statutory authority on matters relating to capital markets.

**k**. The web link for the policy for determining the material subsidiaries and policy on dealing with related party transactions is http://www.himatsingka.com/corporate-governance.html

## 18. General Corporate and Shareholder Information

| | |
|---|---|
| Date of Incorporation | January 23, 1985 |
| Registered Address | 10/24, Kumara Krupa Road, High Grounds, Bengaluru-560 001 |
| Corporate Identity Number (CIN) | L17112KA1985PLC006647 |
| Listing on Stock Exchanges | BSE Ltd.<br>PhirozeJeejeebhoy Towers, Dalal Street, Mumbai-400 001 |
| | National Stock Exchange of India Ltd<br>Exchange Plaza, 5th Floor, Plot No. C/1, G Block<br>Bandra-Kurla Complex, Bandra (E), Mumbai-400 051 |
| Stock Exchange Code | BSE : 514043<br>NSE : HIMATSEIDE |
| Listing Fees | Paid to BSE and NSE for 2018-2019 |
| Custodial Fees | Central Depository Services (India) Ltd. paid for the year 2018-19<br>National Securities Depository Limited one time fees paid.<br>Demat ISIN: INE049A01027 |
| Annual General Meeting | September 22, 2018 at 3.00 pm<br>The LaLit Ashok, Kumara Krupa Road, Bengaluru-560 001 |
| Financial year | 1st April to 31st March |
| Financial Calendar | Board Meetings for approval of financial results and annual accounts:<br>Q1 2018-19 : July- August 15, 2018<br>Q2 2018-19 : October-November 15, 2018<br>Q3 2018-19 : January- February 15, 2019<br>FY 2018-19 : April- May 30, 2019 |
| Date of Book Closure | September 15, 2018 to September 22, 2018 (both days inclusive) |
| Stock Split | 1 equity share of ₹ 10/- each split into 2 equity shares of ₹ 5/- each in October 2005 |
| Bonus History | Year 1994 - 1:2<br>Year 1999 - 1:1<br>Year 2005 - 1:1 |
| Dividend payment date | On or before October 21, 2018 |
| Share Registrar and Transfer Agents | Karvy Computershare Private Limited<br>Karvy Selenium Tower B, Plot 31-32,<br>Nanakramguda, Hyderabad - 500 032<br>T: +91 40 6716 1559; F: +91 40 23001153; E: shobha.anand@karvy.com |
| Investors' correspondence may be addressed to | Mr. Ashok Sharma, Company Secretary,<br>Himatsingka Seide Limited,<br>10/24, Kumara Krupa Road, High Grounds, Bengaluru-560 001.<br>**T:** +91 80 2237 8000; **F:** +91 80 4147 9384; **E:** investors@himatsingka.com |

### Unclaimed Dividends

Pursuant to Section 125 of the Companies Act, 2013, dividends that are unpaid/ unclaimed for a period of seven years from the date they became due for payment are required to be transferred by the Company to the Investor Education and Protection Fund (IEPF). Given below are the dates of declaration of dividend and corresponding dates when unpaid/unclaimed dividends are due for transfer to IEPF.

| Year | Type of Dividend | Dividend per share (₹) | Date of declaration of Dividend | Due date for transfer to IEPF |
|---|---|---|---|---|
| 2012 | Final dividend | 0.50 | August 25, 2012 | October 2, 2019 |
| 2013 | Final dividend | 1.00 | August 12, 2013 | September 18, 2020 |
| 2014 | Final dividend | 1.50 | September 23, 2014 | October 30, 2021 |
| 2015 | Final dividend | 2.00 | September 15, 2015 | October 22, 2022 |
| 2016 | Interim dividend | 1.00 | March 11, 2016 | April 18, 2023 |
| 2016 | Final dividend | 1.50 | September 17, 2016 | October 25, 2023 |
| 2017 | Final dividend | 2.50 | September 23, 2017 | October 30, 2024 |

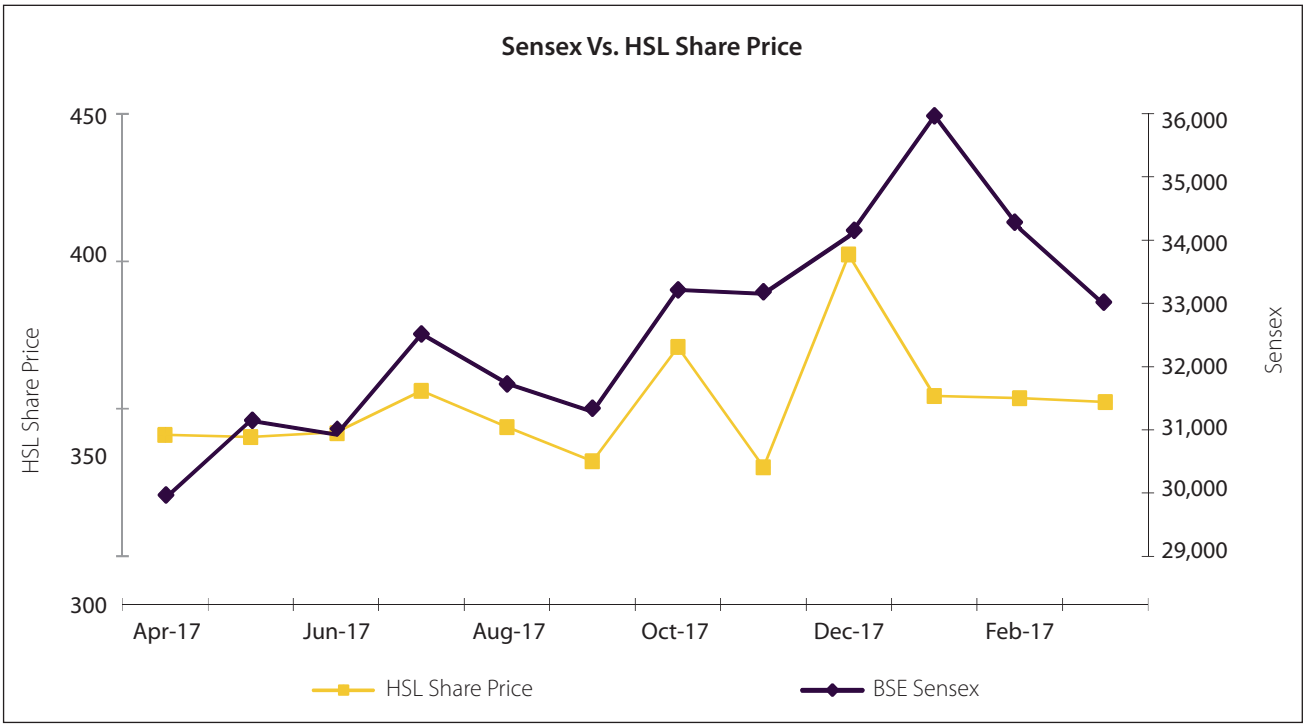
Members who have so far not encashed their dividend warrants are requested to write to the Company/Registrar to claim the same, to avoid transfer to IEPF. Members are advised that no claims shall lie against the said fund or the Company for the amounts of dividend so transferred to the said Fund.

**Share Price**

The monthly high and low quotations of the closing price and volume of shares traded at Bombay Stock Exchange and National Stock Exchange during the year were as follows:

| Month | Bombay Stock Exchange | | | National Stock Exchange | | |
|---|---|---|---|---|---|---|
| | High (₹) | Low (₹) | Volume (Nos.) | High (₹) | Low (₹) | Volume (Nos.) |
| Apr-17 | 373.80 | 331.50 | 551,337 | 373.00 | 335.00 | 2,092,923 |
| May-17 | 358.60 | 313.15 | 537,704 | 359.50 | 312.40 | 1,760,485 |
| Jun-17 | 383.95 | 319.85 | 3,375,421 | 383.30 | 320.10 | 4,027,953 |
| Jul-17 | 400.00 | 336.50 | 815,075 | 400.00 | 336.55 | 3,522,267 |
| Aug-17 | 355.40 | 290.50 | 654,182 | 356.80 | 290.05 | 2,905,462 |
| Sep-17 | 398.90 | 314.85 | 1,264,520 | 399.60 | 313.90 | 3,407,921 |
| Oct-17 | 385.25 | 327.10 | 516,685 | 385.00 | 327.75 | 2,546,740 |
| Nov-17 | 377.90 | 319.00 | 974,218 | 377.75 | 318.15 | 3,859,968 |
| Dec-17 | 408.00 | 326.70 | 2,045,128 | 406.80 | 327.85 | 2,909,669 |
| Jan-18 | 444.35 | 345.15 | 2,369,408 | 443.80 | 345.20 | 3,335,522 |
| Feb-18 | 369.95 | 310.00 | 437,077 | 369.00 | 313.10 | 1,455,442 |
| Mar-18 | 354.95 | 323.45 | 147,965 | 357.00 | 322.10 | 1,014,511 |
| **Total** | | | **13,688,720** | **Total** | | **32,838,863** |

**Share Price Movement**



**Share Transfer System**

Share transfers are registered and returned within a period of 10/15 days from the date of receipt if the documents are in order. The Company obtains from a Company Secretary in Practice half-yearly certificate of compliance with the share transfer formalities as Regulation 40(9) of SEBI (Listing obligations and Disclosure Requirements) Regulations, 2015 and files a copy of the certificate with the Stock Exchanges.

| Transfer period in days | 2017-2018 | |
|---|---|---|
| | No. of shares | Percentage |
| 1 – 10 | 5,578 | 100.00 |
| 11 – 20 | -- | -- |
| 21 – 30 | -- | -- |
| **Total** | **5,578** | **100.00** |

**Complaints received from Investors during the year**

| Nature of Complaints | Received | Cleared |
|---|---|---|
| Non-receipt of share certificates | 26 | 26 |
| Non-receipt of dividend warrants | 88 | 88 |
| Non-receipt of Annual Report | 27 | 27 |
| Complaints received through SEBI(SCORES) | 0 | 0 |
| **TOTAL** | **141** | **141** |

The Company attended to most of the investors' grievances/ correspondence within seven days from the date of receipt of the same during the year 2017-18.

**Distribution of shareholding as on March 31, 2018**

| No. of equity shares | No. of Shareholders | % of Shareholders | No. of Shares held | % of Shareholding |
|---|---|---|---|---|
| 1 - 5000 | 25,394 | 97.30 | 1,06,83,647 | 10.85 |
| 5001 - 10000 | 325 | 1.25 | 23,19,727 | 2.36 |
| 10001 - 20000 | 193 | 0.74 | 27,56,145 | 2.80 |
| 20001 - 30000 | 59 | 0.23 | 14,25,197 | 1.45 |
| 30001 - 40000 | 21 | 0.08 | 7,35,874 | 0.75 |
| 40001 - 50000 | 14 | 0.05 | 6,04,531 | 0.61 |
| 50001 - 100000 | 29 | 0.10 | 20,28,636 | 2.06 |
| 100001 and above | 64 | 0.25 | 7,79,03,403 | 79.12 |
| **Total** | **26,099** | **100.00** | **98,457,160** | **100.00** |

**Shareholding Pattern as on March 31, 2018**

| Particulars | Physical Holding | Electronic Holding | Total Holdings | % |
|---|---|---|---|---|
| Promoters | 0 | 46,834,592 | 46,834,592 | 47.57 |
| Banks | 2,000 | 11,078 | 13,078 | 0.01 |
| Trusts | 0 | 4,649 | 4,649 | 0.00 |
| Mutual Fund | 0 | 9,791,719 | 9,791,719 | 9.95 |
| FII | 400 | 11,625,859 | 11,626,259 | 11.81 |
| Non-Resident Indians | 138,060 | 1,890,959 | 2,029,019 | 2.06 |
| Indian Corporate Bodies | 10,100 | 2,715,051 | 2,725,151 | 2.77 |
| Individuals | 736,358 | 23,759,214 | 24,495,572 | 24.88 |
| Others | 0 | 937,121 | 937,121 | 0.95 |
| **Total** | **886,918** | **97,570,242** | **98,457,160** | **100.00** |
| **%** | **0.90** | **99.10** | **100.00** | |

**Dematerialization of shares and liquidity**

The equity shares of the Company are available for dematerialization (Demat) with National Securities Depository Limited (NSDL) and Central Depository Services of India Limited (CDSL). The equity shares of the Company have been notified by SEBI for settlement only in the Demat form for all investors from March 21, 2000.

As on March 31, 2018, 99.10% of the Company's share capital is dematerialized and the rest is in Physical form. The Company's shares were regularly traded on the National Stock Exchange and Bombay Stock Exchange.

**Shares held in Demat and Physical mode as on March 31, 2018:**

| Category | Number of | | % to total equity |
|---|---|---|---|
| | Shareholders | Shares | |
| Demat | | | |
| NSDL | 19,158 | 93,883,392 | 95.35 |
| CDSL | 6,428 | 3,686,850 | 3.74 |
| Total | 25,586 | 97,570,242 | 99.10 |
| Physical | | | |
| | 513 | 886,918 | 0.90 |
| **Grand Total** | **26,099** | **98,457,160** | **100.00** |

**Plant Locations**

| Plant Location | Products Category |
|---|---|
| Doddaballapur, Karnataka, India | Drapery & Upholstery |
| Hassan, Karnataka, India | Sheeting, Spinning and Terry Towels |

**Service of documents through electronic mode**

As a part of Green initiative, the members who wish to receive documents like the Notice convening the general meetings, Financial Statements, Board's Report, Auditors Report etc., through e-mail, may kindly intimate their e-mail address to Company/ Registrars (for shares held in physical form) and Depository Participants (for shares held in dematerialized form).

Commodity Price Risk / Foreign Exchange Risk and Hedging activity

A report on Risk Management is included elsewhere in this Annual Report.

**Other useful information to shareholders**

- Equity shares of the Company are under compulsory demat trading by all investors, with effect from March 21, 2000. Considering the advantages of scripless trading, shareholders are requested in their own interest to consider de-materalisation of their shareholding so as to avoid inconvenience in future.
- Shareholders/Beneficial Owners are requested to quote their Registered Folio No./DP & Client ID Nos. as the case may be, in all correspondence with the RTA/ Company. Company has also designated an exclusive E-mail ID: investors@himatsingka.com for effective investors' services where they can complain/ raise query and request for speedy and prompt redressal.
- Shareholders holding shares in physical form are requested to notify to the RTA/ Company, change in their address/ Pin Code number with proof of address and Bank Account details promptly by written request under the signatures of sole/ first joint holder. Shareholders may Note that for transfer of shares held in physical form, as per circular issued by SEBI, the transferee is required to furnish copy of their PAN card to the Company/RTAs for registration of transfer of shares.
- Beneficial Owners of shares in demat form are requested to send their instructions regarding change of name, bank details, nomination, power of attorney, etc., directly to their Depository Participants only.
- Non-resident members are requested to immediately notify the following to the Company in respect of shares held in physical form and to their Depository Participants in respect of shares held in dematerialized form:
  - Indian address for sending all communications, if not provided so far;
  - Change in their residential status on return to India for permanent settlement;
  - Particulars of the Bank Account maintained with a bank in India, if not furnished earlier; and
  - E-mail ID and Fax No.(s), if any.

- In case of loss/ misplacement of shares, investors should immediately lodge FIR/Complaint with the Police and inform to the Company along with original or certified copy of FIR/ Acknowledged copy of the Police complaint.
- For expeditious transfer of shares, shareholders should fill in complete and correct particulars in the transfer deed. Wherever applicable, registration number of Power of Attorney should also be quoted in the transfer deed at the appropriate place.
- Shareholders are requested to keep record of their specimen signature before lodgement of shares with the Company to obviate the possibility of difference in signature at a later date.
- Shareholders of the Company, who have multiple accounts in identical names(s) or holding more than one Share Certificate in the same name under different Ledger Folio(s), are requested to apply for consolidation of such Folio(s) and send the relevant Share Certificates to the Company.
- Section 72 of the Companies Act, 2013 extends nomination facility to individuals holding shares in physical form in Companies. Shareholders, in particular those holding shares in single name, may avail of the above facility by furnishing the particulars of their nominations in the prescribed Nomination Form.
- Shareholders are requested to give their valuable suggestions for improvement of the Company's investor services.

**Mandatory/Non Mandatory Requirements**

The Company has complied with all the mandatory requirements Schedule V of Regulation 34(3) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 relating to Corporate Governance. With regard to the non-mandatory requirements the Company has an Executive Director as its Chairman, it has appointed separate persons as Chairman and CEO, and the Internal Auditors report directly to the Audit Committee.

**DECLARATION**

As provided under Schedule V(D) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, all Board members and Senior Management Personnel have affirmed compliance with Himatsingka Seide Limited Code of Business Conduct and Ethics for the year ended March 31, 2018.

**Place:** Bengaluru
**Date:** August 9, 2018

**D.K Himatsingka**
Executive Chairman

**Shrikant Himatsingka**
Managing Director & CEO

# INDEPENDENT AUDITOR'S CERTIFICATE ON CORPORATE GOVERNANCE

**TO THE MEMBERS OF HIMATSINGKA SEIDE LIMITED**

This certificate is issued in accordance with the terms of our engagement letter dated 27 September 2017 and addendum dated July 27 2018.

Himatsingka Seide Limited ('the Company') requires Independent Auditor's Certificate on Corporate Governance as stipulated in Regulations 17-27, Clauses (b) to (i) of Regulation 46(2) and paragraphs C, D and E of Schedule V of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ('Listing Regulations') for the period 1 April 2017 to 31 March 2018.

**Managements' Responsibility**

The preparation of the Corporate Governance report is the responsibility of the Management of the Company along with the maintenance of all its relevant supporting records and documents. The Management is responsible for ensuring that the Company complies with the requirements as stipulated in Regulations 17-27, Clauses (b) to (i) of Regulation 46(2) and paragraphs C, D and E of Schedule V of the Listing Regulations for the period 1 April 2017 to 31 March 2018. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the report and applying an appropriate basis of preparation.

**Auditor's Responsibility**

Pursuant to the requirements of the Listing Regulations, our responsibility is to state whether the Company has complied with the above said compliances of the conditions of Corporate Governance for the period 1 April 2017 to 31 March 2018.

We have examined the compliance of conditions of Corporate Governance by the Company for the period 1 April 2017 to 31 March 2018 as per Regulations 17-27, Clauses (b) to (i) of Regulation 46(2) and paragraphs C, D and E of Schedule V of the Listing Regulations. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

We have conducted our examination in accordance with the 'Guidance Note on Reports or Certificates for Special Purposes' issued by the Institute of Chartered Accountants of India. The Guidance Note requires that we comply with the ethical requirements of the Code of Ethics issued by the Institute of Chartered Accountants of India.

We have complied with the relevant applicable requirements of the Standard on Quality Control (SQC) 1, Quality Control for firms that Perform Audits and Reviews of Historical Financial Information, and Other Assurance and Related Services Engagements.

**Opinion**

In our opinion and to the best of information and according to the explanations given to us and representations made by the Management, we state that the Company has complied with the conditions of Corporate Governance as specified in Regulations 17-27, Clauses (b) to (i) of Regulation 46(2) and paragraphs C, D and E of Schedule V of the Listing Regulations, as applicable.

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

**Restriction on use**

This certificate is issued solely for the purpose of complying with Regulations 17-27, Clauses (b) to (i) of Regulation 46(2) and paragraphs C, D and E of Schedule V of the Listing Regulations for the period 1 April 2017 to 31 March 2018 and may not be suitable for any other purpose. Accordingly, we do not accept or assume any liability or any duty of care for any other purpose or to any other person to whom this certificate is shown or into whose hands it may come without our prior consent in writing.

for **B S R & Co. LLP**
Chartered Accountants
Firm registration number: 101248W/W-100022

**Supreet Sachdev**
Partner
Membership number: 205385

Place: Bengaluru
Date: 25 May 2018

**Annexure – 7**

## DIVIDEND DISTRIBUTION POLICY

### Preamble

SEBI vide notification No. SEBI/ LAD-NRO/GN/2016-17/008 dated July 08, 2016 mandates that the top five hundred listed entities based on market capitalization (calculated as on March 31 of every financial year) shall formulate a dividend distribution policy which shall be disclosed in their annual reports and on their websites

The Board of Directors of the Himatsingka Seide Limited has, at its meeting held on August 10, 2016 approved and adopted this policy.

| Definitions | Meaning |
|---|---|
| Act | The Companies Act, 2013 and shall include any amendments made thereto |
| Rules | Companies (declaration and payment of Dividend) Rules, 2013 |
| Dividend | Defined under Section 2(35) of Act. The term "Dividend" includes any interim dividend |
| Regulations | SEBI (Listing Obligation Disclosure Requirements) Regulations, 2015 |
| Company or HSL | Himatsingka Seide Limited, wherever it is referred to in the policy |
| Board | Board of Directors of HSL |
| Policy | The Policy on Dividend Distribution Policy of HSL |
| Effective Date | August 10, 2016 |

### The Policy

### Introduction

This policy has been developed in accordance with the provisions of Companies Act, 2013 read with the applicable Rules framed thereunder, as may be in force for the time being and the Articles of Association of the Company.

The Policy is intended to determine the approach of the Board of Directors of the Company to the development of recommendations on the amount of dividends to be paid and the procedure for their payment.

The Company believes in continuing a reasonable balance between cash retention and the distribution of dividends to its shareholders. The Company believes in the requirement of cash retention for expansion and diversification initiatives including acquisitions, in addition to meeting contingency requirements that may arise from time to time.

The Company shall declare dividends for a financial year out of the profits of the company for that year or out of the profits of the company for any previous financial year or years after providing for depreciation in accordance with applicable laws.

### Types of Dividends

1. **Final Dividend**

   A dividend is said to be a final dividend if it is declared at the Annual General Meeting of the Company. The final dividend once declared becomes a debt enforceable against the Company. A final dividend can be declared only if it is recommended by the Board of Directors of the Company.

2. **Interim Dividend**

   A dividend is said to be an interim dividend, if it is declared by the Board of Directors between two Annual General Meetings of the company. However, all the provisions relating to the payment of final dividend shall be applicable on the interim dividend also.

### Factors determining the Dividend

**a. Internal Factors**

- Upcoming Projects
- Expansion Plans
- Technology Up gradation
- Merger and acquisitions
- Contingency Funds
- Liquidity Positions

**b. External Factors**

- Economy in which company operating
- Statutory requirements
- Capital Markets

### Utilization of retained earnings

Retained earnings are used to maintain existing operations or to increase sales and profits by growing the business of the Company.

For example:-

- For installation of new plants and equipment just to maintain existing operations.
- Repair and replace costly machinery.
- Idea of expansion etc.,

### Review

This Policy will be reviewed periodically by the Board.

# BUSINESS RESPONSIBILITY REPORT

**SECTION A: GENERAL INFORMATION ABOUT THE COMPANY**

| | | |
|---|---|---|
| 1. | Corporate Identity Number (CIN) | L17112KA1985PLC006647 |
| 2. | Name of the Company | Himatsingka Seide Limited |
| 3. | Registered Office & Corporate Office | 10/24, Kumara Krupa Road, High Grounds, Bengaluru - 560 001 |
| 4. | Website | www.himatsingka.com |
| 5. | E-mail id | investors@himatsingka.com |
| 6. | Financial Year reported | 2017- 18 |
| 7. | Sector(s) that the Company is engaged in (Industrial activity code-wise) | 131 - Spinning, weaving and finishing of textiles<br>139 - Manufacture of other textiles |
| 8. | List three key products/services that the Company manufactures/provides (as in balance sheet) | 1. Made-up Bedding Products<br>2. Drapery & Upholstery Fabrics<br>3. Towels<br>4. Cotton Yarn |
| 9. | Total number of locations where business activity is undertaken by the Company<br><br>(a) Number of International Locations (Provide details of major 5)<br><br>(b) Number of National Locations | a) International Locations:<br>1. New York, USA<br>2. Spartanburg, USA<br>3. London, United Kingdom<br>4. Milan, Italy<br>b) National Locations:<br>1. Bengaluru, Karnataka<br>2. Hassan, Karnataka |
| 10. | Markets served by the Company Local/State/National/International | North America, Europe, Middle East, Asia and India. |

**SECTION B: FINANCIAL DETAILS OF THE COMPANY**

| | | |
|---|---|---|
| 1. | Paid up Capital (₹) | ₹ 49.22 Crores |
| 2. | Total Turnover (₹) | ₹ 1643.53 Crores |
| 3. | Profit after Tax (₹) | ₹ 206.05 Crores |
| 4. | Total Spending on Corporate Social Responsibility (CSR)<br>a. In ₹<br>b. As percentage of Profit after Tax (%) | ₹ 0.62 Crores<br>0.34% (Average PAT for three preceding years) |
| 5. | List of activities in which expenditure in 4 above has been incurred | Refer CSR Report as per Annexure 5 to the Board's Report. |

**SECTION C: OTHER DETAILS**

| | | |
|---|---|---|
| 1. | Does the Company have any Subsidiary Company/ Companies? | Yes |
| 2. | Do the Subsidiary Company/Companies participate in the BR Initiatives of the parent company? | Yes |
| | If yes, then indicate the number of such subsidiary company(s) | 7 |
| 3. | Do any other entity/entities (e.g. suppliers, distributors etc.) that the Company does business with, participate in the BR initiatives of the Company? | No |

**SECTION D: BUSINESS RESPONSIBILITY INFORMATION**

**1. Details of the Director and BR Head responsible for implementation of the BR policy/policies**

| No | Particulars | Company Information |
|---|---|---|
| 1. | DIN Number | 07521742 |
| 2. | Name | V Vasudevan |
| 3. | Designation | Executive Director – Manufacturing Operations (Group) |
| 4. | Telephone Number | 080-22378000 |
| 5. | e-mail ID | corporate@himatsingka.com |

**2. Principle-wise BR Policy:**

| | |
|---|---|
| Principle 1 | Business should Conduct and Govern themselves with Ethics, Transparency and Accountability. |
| Principle 2 | Business should provide goods & services that are safe and contribute to sustainability throughout their life cycle. |
| Principle 3 | Business should promote the wellbeing of all employees. |
| Principle 4 | Business should respect the interests of, and be responsive towards all stakeholders, especially those who are disadvantaged, vulnerable and marginalized. |
| Principle 5 | Business should respect and promote human rights. |
| Principle 6 | Business should respect, protect and make efforts to restore the environment. |
| Principle 7 | Business, when engaged in influencing public and regulatory policy, should do so in a responsible manner. |
| Principle 8 | Business should support inclusive growth and equitable development. |
| Principle 9 | Business should engage with and provide value to their customer and consumers in a responsible manner. |

**(a) Details of compliance :**

| No | Questions | P 1 | P 2 | P 3 | P 4 | P 5 | P 6 | P 7 | P 8 | P 9 |
|---|---|---|---|---|---|---|---|---|---|---|
| 1. | Do you have a policy/ policies for | Y | Y | Y | Y | Y | Y | Y | Y | Y |
| 2. | Has the policy being formulated in consultation with the relevant stakeholders? | Y | Y | Y | Y | Y | Y | Y | Y | Y |
| 3. | Does the policy conform to any national/international standards? If yes, specify? (50 words) | Policies are prepared ensuring adherence to applicable laws and in line with international standards such as ISO, & OSHAS and meet national regulatory requirements such as Companies Act, 2013 and SEBI (Listing Obligations and Disclosure Requirement) Regulations, 2015. | | | | | | | | |
| 4. | Has the policy being approved by the Board? Is yes, has it been signed by MD/ owner/ CEO/ appropriate Board Director? | Y | Y | Y | Y | Y | Y | Y | Y | Y |
| 5. | Does the company have a specified committee of the Board/ Director / Official to oversee the implementation of the policy? | These policies are administered and supervised by the management of the Company through a robust internal governance structure. | | | | | | | | |
| 6. | Indicate the link for the policy to be viewed online? | Policies on CSR, Code of Conduct, Related Party and Whistle Blower etc. are available at the below link: http://himatsingka.com/Investorrelations/Corporategovernance.html | | | | | | | | |
| 7. | Has the policy been formally communicated to all relevant internal and external stakeholders? | Y | Y | Y | Y | Y | Y | Y | Y | Y |
| 8. | Does the company have in-house structure to implement the policy/ policies? | Y | Y | Y | Y | Y | Y | Y | Y | Y |
| 9. | Does the Company have a grievance redressal mechanism related to the policy/ policies to address stakeholders' grievances related to the policy/ policies? | The Quality, Safety, Health and Environment Policies are subject to internal and external audits as part of certification process. | | | | | | | | |
| 10. | Has the company carried out independent audit/ evaluation of the working of this policy by an internal or external agency? | N | N | N | N | N | N | N | N | N |

**(b) if answer to the question at serial number I against any principle, is "No', please explain why**

| No | Questions | P 1 | P 2 | P 3 | P 4 | P 5 | P 6 | P 7 | P 8 | P 9 |
|---|---|---|---|---|---|---|---|---|---|---|
| 1. | The company has not understood the Principles | - | - | - | - | - | - | - | - | - |
| 2. | The company is not at a stage where it finds itself in a position to formulate and implement the policies on specified principles | - | - | - | - | - | - | - | - | - |
| 3. | The company does not have financial or manpower resources available for the task | - | - | - | - | - | - | - | - | - |
| 4. | It is planned to be done within next 6 months | - | - | - | - | - | - | - | - | - |
| 5. | It is planned to be done within the next 1 year | - | - | - | - | - | - | - | - | - |
| 6. | Any other reason (please specify) | - | - | - | - | - | - | - | - | - |

**SECTION E: PRINCIPLE-WISE PERFORMANCE**

Our philosophy is to conduct the business with high ethical standards in our dealings with all the stakeholders that include employees, customers, suppliers, government and the community.

**PRINCIPLE 1: BUSINESS SHOULD CONDUCT AND GOVERN THEMSELVES WITH ETHICS, TRANSPARENCY AND ACCOUNTABILITY.**

| No | Particulars | Company Information |
|---|---|---|
| 1. | Does the Policy relating to ethics, bribery and corruption cover only the company? Yes/No. Does it extend to the Group/Joint Ventures/ Suppliers/Contractors/NGOs/Others? | The Company's policies and code of conduct explains the company's view on ethics, bribery and corruption and is applicable to all the employees. The policies have been shared with other stakeholders including vendors and suppliers. |
| 2. | How many stakeholder complaints have been received in the past financial year and what percentage was satisfactorily resolved by the management? If so, provide details thereof, in about 50 words or so. | In the financial year 2017-18, we have not received any complaints. |

**PRINCIPLE 2 : BUSINESS SHOULD PROVIDE GOODS & SERVICES THAT ARE SAFE AND CONTRIBUTE TO SUSTAINABILITY THROUGH THEIR LIFE CYCLE.**

| No | Particulars | Company Information |
|---|---|---|
| 1. | List up to 3 of your products or services whose design has incorporated social or environmental concerns, risks and/or opportunities. | 1. Made-up Bedding Products<br>2. Drapery & Upholstery Fabrics<br>3. Towels<br>4. Cotton Yarn |
| 2. | For each such product, provide the following details in respect of resource use (energy, water, raw material etc.) per unit of product(optional):<br>(a) Reduction during sourcing/production/ distribution achieved since the previous year throughout the value chain?<br>(b)Reduction during usage by consumers (energy, water) has been achieved since the previous year? | These products have resulted in savings in energy, raw material usage and water resources. |
| 3. | Does the company have procedures in place for sustainable sourcing (including transportation)?<br>(a) If yes, what percentage of your inputs was sourced sustainably? Also, provide details thereof, in about 50 words or so. | The sourcing of input materials for manufacturing activities have largely adhered to the use of such materials that are sustainable. The Company's supplier evaluation requirements stress on sustainability criteria to further the high sustainability value chain goals of the Company. |
| 4. | Has the company taken any steps to procure goods and services from local & small producers, including communities surrounding their place of work?<br>(a) If yes, what steps have been taken to improve their capacity and capability of local and small vendors? | Yes, to the extent possible the Company sources goods and services from the area surrounding its operating facilities. |
| 5. | Does the company have a mechanism to recycle products and waste? If yes what is the percentage of recycling of products and waste (separately as <5%, 5-10%, >10%). Also, provide details thereof, in about 50 words or so. | Yes the Company has a mechanism to recycle products and waste. Over 99% of all waste is recycled or recyclable. |

**PRINCIPLE 3: BUSINESS SHOULD PROMOTE THE WELLBEING OF ALL EMPLOYEES.**

The Company strives to position itself as an equal opportunity employer and ensures best efforts in providing a high quality work environment with the highest standards of safety and work employee friendly amenities to enhance its employee satisfaction quotient.

| No | Particulars | Company Information | | | |
|---|---|---|---|---|---|
| 1. | Total number of Permanent employees | 3,898 | | | |
| 2. | Total number of employees hired on temporary/ contractual/ casual basis. | 2200 | | | |
| 3. | The number of permanent women employees | 1652 | | | |
| 4. | Number of permanent employees with disabilities | 6 | | | |
| 5. | Employee association that is recognized by management | HSL Employees Union | | | |
| 6. | Percentage of permanent employees who are members of this recognized association | Approximately 12% of permanent employees are members of a recognized employee association. | | | |
| 7. | Number of complaints received relating to child labour, forced labour, involuntary labour, sexual harassment in the last financial year | No. | Category | Filled | Resolved |
| | | 1. | Child labour/forced labour | Nil | Nil |
| | | 2. | Involuntary labour | Nil | Nil |
| | | 3. | Sexual harassment | Nil | Nil |
| | | 4. | Discriminatory employment | Nil | Nil |
| 8. | Percentage of employees given safety & skill up-gradation training in the last year<br>a) Permanent Employees<br>b) Permanent Women Employees<br>c) Casual/Temporary/Contractual Employees<br>d) Employees with Disabilities | The Company carries out training initiatives based on specific skill requirements and nature of work. In no eventuality do we train employees based on employee status as the Company is an equal opportunity employer.<br>The Company has well-structured and developed training programmes for its various needs and it estimates approximately 80% of its employees have gone through training and skill development programmes organized through the year. | | | |

**PRINCIPLE 4: BUSINESS SHOULD RESPECT THE INTERESTS OF, AND BE RESPONSIVE TOWARDS ALL STAKEHOLDERS, ESPECIALLY THOSE WHO ARE DISADVANTAGED, VULNERABLE AND MARGINALIZED.**

The Company is committed to embrace an inclusive growth model keeping in mind the needs of all its stakeholders including the under privileged, disadvantaged and vulnerable members of society.

| No | Particulars | Company Information |
|---|---|---|
| 1. | Has the company mapped its internal and external stakeholders? Yes/No | The Company has several internal and external stakeholders. They are majorly classified as follows:<br>a) Business Stakeholders<br>• Employees<br>• Client Groups<br>• Vendors and Suppliers<br>• Partners<br>• Local communities<br>b) Financial Stakeholders<br>• Bankers<br>• Shareholders<br>• Investors<br>c) Statutory Stakeholders<br>• Central and State Government authorities<br>• Regulatory bodies |
| 2. | Out of the above, has the company identified the disadvantaged, vulnerable & marginalized stakeholders. | Local communities and society continue to be an area of focus for the Company. We endeavor to take initiatives that have a positive impact on such communities. |
| 3. | Are there any special initiatives taken by the company to engage with the disadvantaged, vulnerable and marginalized stakeholders. If so, provide details thereof, in about 50 words or so. | Yes, special initiatives have been taken by the company to engage with the disadvantaged, vulnerable and marginalized stakeholders.<br>The Company has carried out developmental work for the local communities in the vicinity of its manufacturing facilities. The initiatives include but are not limited to education, health, employment opportunities and social infrastructure. |

**PRINCIPLE 5 : BUSINESS SHOULD RESPECT AND PROMOTE HUMAN RIGHTS.**

| No | Particulars | Company Information |
|---|---|---|
| 1. | Does the policy of the company on human rights cover only the company or extend to the Group/ Joint ventures/ Suppliers/ Contractors/ NGOs/Others? | The Company remains committed to respect and protect human rights. The Company's code of conduct, Human Resource practices and policies provide guidelines on matters relating to child labour, occupational health and safety among other relevant matters that help respect and promote Human Rights. |
| 2. | How many stakeholder complaints have been received in the past financial year and what percent was satisfactorily resolved by the management? | The Company has not received any stakeholder complaints pertaining to this principle, during the financial year 2017-18. |

**PRINCIPLE 6: BUSINESS SHOULD RESPECT, PROTECT, AND MAKE EFFORTS TO RESTORE THE ENVIRONMENT.**

The Company strives to have best in class initiatives and infrastructure in order to be environment friendly.

| No | Particulars | Company Information |
|---|---|---|
| 1. | Does the policy related to Principle 6 cover only the company or extends to the Group/Joint Ventures /Suppliers /Contractors/NGOs/others. | The Company's environment policy extends to its facilities across India |
| 2. | Does the company have strategies/ initiatives to address global environmental issues such as climate change, global warming, etc? Y/N. If yes, please give hyperlink for webpage etc. | As part of its initiatives to reduce its carbon footprint and ensure operational sustainability the Company has been focused on operating Zero Liquid Discharge (ZLD), Water Treatment Plants (WTP) and operating assets with high fuel efficiencies and best in class emission standards. Among other initiatives the Company is also exploring opportunities in the renewal energy space. |
| 3. | Does the company identify and assess potential environmental risks? Y/N | Yes, as part of the process the Company regularly evaluates environmental risks and initiates steps for mitigation.<br><br>The manufacturing locations are certified for requirements under ISO 14001 (environment management system) and OHSAS 18001 (Occupational Health and Safety System). |
| 4. | Does the company have any project related to Clean Development Mechanism? If so, provide details thereof, in about 50 words or so. Also, if Yes, whether any environmental compliance report is filed? | At present, the Company does not have any project related to Clean Development Mechanism. |
| 5. | Has the company undertaken any other initiatives on – clean technology, energy efficiency, renewable energy, etc. Y/N. If yes, please give hyperlink for web page etc. | The Company is researching and exploring possibilities in the renewable energy space. |
| 6. | Are the Emissions/Waste generated by the company within the permissible limits given by CPCB/SPCB for the financial year being reported? | Yes. |
| 7. | Number of show cause/ legal notices received from CPCB/SPCB which are pending (i.e. not resolved to satisfaction) as on end of Financial Year. | Nil |

**PRINCIPLE 7: BUSINESS, WHEN ENGAGED IN INFLUENCING PUBLIC AND REGULATORY POLICY, SHOULD DO SO IN A RESPONSIBLE MANNER.**

The company participates in activities carried out by industry bodies and associations, vision groups and other forums set up by the government to discuss and deliberate challenges and opportunities.

| No | Particulars | Company Information |
|---|---|---|
| 1. | Is your company a member of any trade and chamber or association? If Yes, Name only those major ones that your business deals with: | a) TEXPROCIL – Cotton Textile Export promotion Council<br>b) ISEPC – Indian Skill Export Promotion Council<br>c) FKCCI – Federation of Karnataka Chamber of Commerce and Industry |
| 2. | Have you advocated/lobbied through above associations for the advancement or improvement of public good? Yes/No; if yes specify the broad areas (drop box: Governance and Administration, Economic Reforms, Inclusive Development Policies, Energy security, Water, Food Security, Sustainable Business Principles, Others) | The Company has advocated through the above organisations on economic reforms, export policies and infrastructural needs. |

**PRINCIPLE 8 : BUSINESS SHOULD SUPPORT INCLUSIVE GROWTH AND EQUITABLE DEVELOPMENT.**

| | | |
|---|---|---|
| 1. | Does the company have specified programmes/ initiatives/projects in pursuit of the policy related to Principle 8? If yes details thereof. | In line with the provisions of the Companies Act, 2013 and based on recommendation of the CSR Committee, the Board of Directors have adopted a CSR Policy. The CSR policy, inter-alia, deals with the objectives of the Company's CSR initiatives, the guiding principles, the thrust areas of CSR, responsibilities of the CSR Committee, implementation plan and the reporting framework.<br>The thrust areas of the Company's CSR activities are:<br>(i) Primary Education<br>(ii) Protection of National Heritage<br>(iii) Promotion of Olympic sports.<br>The details of CSR initiatives can be accessed in the Company's CSR report in Annexure 5 |
| 2. | Are the programmes/projects undertaken through in-house team/own foundation/ external NGO/ government structures/any other organization? | The aforesaid projects have been carried out by the Company directly and or through implementing agencies. |
| 3. | Have you done any impact assessment of your initiative? | No |
| 4. | What is your company's direct contribution to community development projects- Amount in ₹ and the details of the projects undertaken. | The Company has spent ₹ 0.62 Crores during the financial year 2017-18 on CSR.<br>The details of CSR initiatives can be accessed in the Company's CSR report in Annexure 5 |
| 5. | Have you taken steps to ensure that this community development initiative is successfully adopted by the community? Please explain in 50 words, or so. | Yes the CSR Committee reviews and assesses the initiatives at the end of each year to understand the efficacy of the programmes in terms of delivery of desired benefits to the community. |

**PRINCIPLE 9: BUSINESS SHOULD ENGAGE WITH AND PROVIDE VALUE TO THEIR CUSTOMERS AND CONSUMERS IN A RESPONSIBLE MANNER**

| | | |
|---|---|---|
| 1. | What percentage of customer complaints/consumer cases are pending as on the end of financial year. | Nil |
| 2. | Does the company display product information on the product label, over and above what is mandated as per local laws? Yes/No/N.A. /Remarks(additional information) | The Company adheres to all the applicable regulations regarding product labeling and display's relevant information on it. |
| 3. | Is there any case filed by any stakeholder against the company regarding unfair trade practices, irresponsible advertising and/or anti-competitive behaviour during the last five years and pending as on end of financial year. If so, provide details thereof, in about 50 words or so. | Nil |
| 4. | Did your company carry out any consumer survey/ consumer satisfaction trends? | Yes |

# INDEPENDENT AUDITOR'S REPORT

**TO THE MEMBERS OF HIMATSINGKA SEIDE LIMITED**

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

We have audited the accompanying standalone Ind AS financial statements of Himatsingka Seide Limited ('the Company'), which comprise the Balance Sheet as at 31 March 2018, the Statement of Profit and Loss, the Statement of Changes in Equity and the Statement of Cash Flows for the year then ended, and summary of the significant accounting policies and other explanatory information (hereinafter referred to as "the standalone Ind AS financial statements").

**Management's Responsibility for the Standalone Ind AS Financial Statements**

The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ('the Act') with respect to the preparation of these standalone Ind AS financial statements that give a true and fair view of the state of affairs, profit and other comprehensive income, changes in equity and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards ('Ind AS') prescribed under Section 133 of the Act.

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

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

**Auditor's Responsibility**

Our responsibility is to express an opinion on these standalone Ind AS financial statements based on our audit.

We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the Audit Report under the provisions of the Act and the Rules made thereunder.

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

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

We are also responsible to conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the Auditor's Report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the opinion. Our conclusions are based on the audit evidence obtained up to the date of the Auditor's Report. However, future events or conditions may cause the Company to cease to continue as a going concern.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the standalone Ind AS financial statements.

**Opinion**

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

**Other Matter**

Corresponding figures for the year ended 31 March 2017 have been audited by another auditor who expressed an unmodified opinion dated 23 May 2017 on the standalone Ind AS financial statements of the Company for the year ended 31 March 2017.

Our opinion on the standalone Ind AS financial statements is not modified in respect of the above matter.

**Independent Auditor's Report (continued)**

**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 the "Annexure A", a statement on the matters specified in paragraphs 3 and 4 of the Order.

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

   (a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;

   (b In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;

   (c) The Balance Sheet, the Statement of Profit and Loss, the Statement of Cash Flow and the Statement of Changes in Equity dealt with by this Report are in agreement with the books of account;

   (d) In our opinion, the aforesaid standalone Ind AS financial statements comply with the Indian Accounting Standards prescribed under Section 133 of the Act;

   (e) On the basis of the written representations received from the directors as on 31 March 2018 taken on record by the Board of Directors, none of the directors is disqualified as on 31 March 2018 from being appointed as a Director in terms of Section 164(2) of the Act;

   (f ) With respect to the adequacy of the internal financial controls with reference to the standalone Ind AS financial statements of the Company and the operating effectiveness of such controls, refer to our separate Report in "Annexure B"; and

   (g) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:

      i. The Company has disclosed the impact of pending litigations on its financial position in its standalone Ind AS financial statements – Refer note 28 to the standalone Ind AS financial statements;

      ii. The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses;

      iii. There has been no delay in transferring amount required to be transferred to the Investor Education and Protection Fund by the Company; and

      iv. The disclosures in the Standalone Ind AS financial statements regarding holdings as well as dealings in specified bank notes during the period from 8 November 2016 to 30 December 2016 have not been made since they do not pertain to the financial year ended 31 March 2018. However amounts as appearing in the audited Standalone Ind AS financial statements for the period ended 31 March 2017 has been disclosed – refer note 38 to the standalone Ind AS financial statements.

*for* **B S R & Co. LLP**
*Chartered Accountants*
Firm's Registration No.: 101248W/W-100022

**Supreet Sachdev**
*Partner*
Membership No.: 205385

Place: Bengaluru
Date: 25 May 2018

**Himatsingka Seide Limited**

# ANNEXURE - A TO THE INDEPENDENT AUDITOR'S REPORT

With reference to the Annexure A referred to in paragraph 1 in Report on Other Legal and Regulatory Requirements of the Independent Auditor's Report to the Members of Himatsingka Seide Limited ('the Company') on the standalone Ind AS financial statements for the year ended 31 March 2018, we report that:

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

(b) The Company has a regular programme of physical verification of its fixed assets by which all fixed assets are verified in a phased manner over a period of two years. In our opinion, this periodicity of physical verification is reasonable having regard to the size of the Company and the nature of its assets. Pursuant to the programme, certain fixed assets were physically verified during the year. No material discrepancies were noticed on such verification.

(c) In our opinion and according to the information and explanations given to us and on the basis of our examination of the records of the Company, the title deeds of immovable properties included in property, plant and equipment are held in the name of the Company including the share of undivided land jointly held with other entities as at the balance sheet date.

In respect of immovable properties taken on finance lease and disclosed as property, plant and equipment in the standalone Ind AS financial statements, the lease agreements are in the name of the Company, where the Company is the lessee in the agreement except in case of four premises having a gross book value of ₹ 5.50 lacs and net book value of ₹ 3.02 lacs where the lease-cum-sale deed had been entered into by the Company and sale has not been registered upon completion of the lease period. The Company has initiated procedures for executing the sale in its favour.

(ii) The inventory, except goods-in-transit and stocks lying with third parties, has been physically verified by the Management during the year. In our opinion, the frequency of such verification is reasonable. For stocks lying with third parties at the year-end, written confirmations have been obtained by the Management. The discrepancies noticed on verification between the physical stock and the book records were not material.

(iii) The Company has granted unsecured loans to three of its wholly owned subsidiaries covered in the Register maintained under Section 189 of the Companies Act, 2013 ('the Act').

(a) In our opinion and according to the information and explanations given to us, the terms and conditions on which these loans had been granted to the wholly owned subsidiaries listed in the Register maintained under Section 189 of the Act are not, prima facie, prejudicial to the interest of the Company.

(b) In the case of the loans granted to the companies listed in the Register maintained under Section 189 of the Act, the terms of arrangements do not stipulate any repayment schedule and the loans are repayable on demand and interest is payable on demand. As there is no outstanding demand of principal and interest at the year-end, paragraph 3(iii)(b) and 3(iii)(c) of the Order is not applicable.

(iv) In our opinion and according to the information and explanations given to us, the Company has complied with the provisions of Section 185 and 186 of the Act, with respect to the loans given, investments made, guarantees and security given.

(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 meaning the directives issued by the Reserve Bank of India, provisions of Section 73 to 76 of the Act, any other relevant provisions of the Act and the relevant rules framed thereunder.

(vi) We have broadly reviewed the books of account maintained by the Company pursuant to the rules prescribed by the Central Government of India for maintenance of cost records under Section 148 of the Act in respect of products manufactured and are of the opinion that prima facie, the prescribed accounts and records have been made and maintained. However, we have not made a detailed examination of the records.

(vii) (a) According to the information and explanations given to us and on the basis of our examination of the records of the Company, amounts deducted/ accrued in the books of account in respect of undisputed statutory dues including Provident fund, Employee's State Insurance, Income tax, Sales tax, Service tax, duty of Customs, duty of Excise, Value added tax, Goods and Services Tax, Cess and any other material statutory dues have generally been regularly deposited with the appropriate authorities though there has been slight delays in few cases.

According to the information and explanations given to us, no undisputed amounts payable in respect of Provident fund, Employee's State Insurance, Income tax, Sales tax, Service tax, duty of Customs, duty of Excise, Value added tax, Goods and Services Tax, Cess and any other material statutory dues were in arrears, as at 31 March 2018, for a period of more than six months from the date they became payable.

**Annexure - A To The Independent Auditor's Report (Continued)**

(b) According to the information and explanations given to us, there are no dues in respect of Sales-tax, Value added tax, Service tax , duty of Customs and Cess which have not been deposited on account of any dispute. The Company, however, disputes the following Income-tax and duty of Excise dues:

| Name of the Statute | Nature of the Dues | Amount (in ₹) | Period to which the amount relates | Forum where dispute is pending |
|---|---|---|---|---|
| Income-tax Act, 1961 | Income Tax | 30,853,226 *(24,484,608)** | AY 1995-2005 | Supreme Court of India |
| Income-tax Act, 1961 | Income Tax | 12,575,405 | AY 1996 | High Court of Karnataka |
| Income-tax Act, 1961 | Income Tax | 64,205,514 | AY 2007-2014 | Income Tax Appellate Tribunal |
| Income-tax Act, 1961 | Income Tax | 24,040,574 | AY 2010-2015 | Commissioner of Income Tax (Appeals) |
| Central Excise Act, 1944 | Excise Duty and penalty | 58,524,061 *(622,174)** | FY 2004-2013 | Central Excise and Service Tax Appellate Tribunal |
| Central Excise Act, 1944 | Excise Duty and penalty | 16,097,302 *(603,649)** | April 2013 to February 2016 | Commissioner of Central Excise (Appeals) |

**represents payments made under protest*

(viii) In our opinion and according to the information and explanations given to us, the Company has not defaulted in repayment of loans or borrowings to financial institutions or banks and dues to debenture holders. The Company does not have any outstanding loans or borrowings from government.

(ix) According to the information and explanations given to us and based on examination of the records of the Company, the term loans obtained during the year were applied for the purpose for which they were obtained. The Company has not raised any money by way of initial public offer or further public offer (including debt instruments) during the year.

(x) According to the information and explanations given to us, no material fraud on the Company by its officers or employees or fraud by the Company has been noticed or reported during the course of our audit.

(xi) According to the information and explanations given to us and based on our examination of the records of the Company, the Company has paid/provided for Managerial Remuneration in accordance with the requisite approvals mandated by the provisions of Section 197 read with Schedule V to the Act.

(xii) According to the information and explanations given to us, in our opinion, the Company is not a Nidhi Company as prescribed under Section 406 of the Act.

(xiii) According to the information and explanations given to us and based on our examination of the records of the Company, all transactions with the related parties are in compliance with Sections 177 and 188 of the Act, where applicable, and details of such transactions have been disclosed in the standalone Ind AS financial statements as required by the applicable accounting standards.

(xiv) According to the information and explanations given to us and based on our examination of the records of the Company, the Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year.

(xv) According to the information and explanations given to us and based on our examination of the records of the Company, the Company has not entered into non-cash transactions with directors or persons connected with him.

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

*for* **BSR &Co. LLP**
*Chartered Accountants*
Firm's Registration No.: 101248W/W-100022

**Supreet Sachdev**
*Partner*
Membership No. 205385

Place: Bengaluru
Date: 25 May 2018

**Himatsingka Seide Limited**

# ANNEXURE -B TO THE INDEPENDENT AUDITOR'S REPORT

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

We have audited the internal financial controls with reference to Standalone Ind AS financial statements of Himatsingka Seide Limited ("the Company") as of 31 March 2018 in conjunction with our audit of the standalone Ind AS financial statements of the Company for the year ended on that date.

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

The Company's Management is responsible for establishing and maintaining internal financial controls based on the internal control with reference to Standalone Ind AS 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 ("Guidance Note") issued by the Institute of Chartered Accountants of India ('ICAI'). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of 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 Ind AS financial statements based on our audit. We conducted our audit in accordance with the Guidance Note and the Standards on Auditing, issued by ICAI and deemed to be prescribed under Section 143(10) of the Act, to the extent applicable to an audit of internal financial controls, both applicable to an audit of Internal Financial Controls and, both issued by the ICAI. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls with reference to Standalone Ind AS financial statements was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system with reference to Standalone Ind AS financial statements and their operating effectiveness. Our audit of internal financial controls with reference to Standalone Ind AS financial statements included obtaining an understanding of internal financial controls with reference to Standalone Ind AS 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 Standalone Ind AS financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company's internal financial controls system with reference to Standalone Ind AS financial statements.

**Meaning of Internal Financial Controls over Financial Reporting**

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

**Inherent Limitations of Internal Financial Controls Over Financial Reporting**

Because of the inherent limitations of internal financial controls with reference to Standalone Ind AS 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 Ind AS financial statements to future periods are subject to the risk that the internal financial control with reference to Standalone Ind AS financial statements may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

**Opinion**

In our opinion, the Company has, in all material respects, an adequate internal financial controls system with reference to Standalone Ind AS financial statements and such internal financial controls with reference to Standalone Ind AS financial statements were operating effectively as at 31 March 2018, based on the internal control with reference to Standalone Ind AS financial statements criteria established by the Company considering the essential components of internal control stated in the Guidance Note issued by the ICAI.

*for* **BSR &Co. LLP**
*Chartered Accountants*
Firm's Registration No.: 101248W/W-100022

**Supreet Sachdev**
*Partner*
Membership No. 205385

Place: Bengaluru
Date: 25 May 2018

# BALANCE SHEET

**Himatsingka Seide Limited |** As at 31 March 2018

**(₹ Lacs)**

| | Note | As at 31 March 2018 | As at 31 March 2017 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 3.1 | 171,406.51 | 78,781.73 |
| Capital work-in-progress | | 2,804.03 | 9,902.35 |
| Intangible assets | 3.2 | 1,723.23 | 1,648.71 |
| Financial assets | | | |
| (i) Investments | 4A | 30,565.48 | 22,977.98 |
| (ii) Non-current loans | 5 | 23,783.47 | 24,262.30 |
| (iii) Other non-current financial assets | 6 | 1,437.89 | 990.09 |
| Deferred tax assets, (net) | 7B | - | 178.68 |
| Income tax assets, (net) | 7A | 836.56 | 629.88 |
| Other non-current assets | 8 | 5,029.18 | 14,745.93 |
| **Total non-current assets** | | **237,586.35** | **154,117.65** |
| **Current assets** | | | |
| Inventories | 9 | 29,199.27 | 25,923.25 |
| Financial assets | | | |
| (i) Investments | 4B | 11,893.12 | - |
| (ii) Trade receivables | 10 | 40,786.05 | 34,062.17 |
| (iii) Cash and cash equivalents | 11 | 7,434.56 | 3,117.07 |
| (iv) Bank balances other than cash and cash equivalents above | 11 | 2,485.00 | 12,421.46 |
| (v) Current loans | 5 | 107.91 | 100.42 |
| (vi) Other current financial assets | 6 | 20,081.94 | 17,206.01 |
| Other current assets | 8 | 16,886.91 | 4,615.04 |
| **Total current assets** | | **128,874.76** | **97,445.41** |
| **Total Assets** | | **366,461.11** | **251,563.06** |
| **EQUITY AND LIABILITIES** | | | |
| **Equity** | | | |
| Share capital | 12 | 4,922.86 | 4,922.86 |
| Other equity | 13 | 116,770.25 | 101,748.90 |
| **Total equity** | | **121,693.11** | **106,671.76** |
| **Liabilities** | | | |
| **Non-current liabilities** | | | |
| Financial liabilities | | | |
| (i) Non-current borrowings | 14 | 115,573.29 | 68,093.11 |
| Non-current provisions | 15 | 1,358.03 | 1,369.75 |
| Deferred tax liabilities, (net) | 7B | 793.44 | - |
| Other non-current liabilities | 16 | 22,724.72 | 5,524.01 |
| **Total non-current liabilities** | | **140,449.48** | **74,986.87** |
| **Current liabilities** | | | |
| Financial liabilities | | | |
| (i) Current borrowings | 17 | 64,172.37 | 43,072.20 |
| (ii) Trade payables | 18 | 19,860.61 | 13,885.35 |
| (iii) Other current financial liabilities | 19 | 13,975.94 | 9,333.65 |
| Current provisions | 15 | 339.03 | 152.72 |
| Current tax liabilities, (net) | 7A | 3,000.56 | 1,017.00 |
| Other current liabilities | 16 | 2,970.01 | 2,443.51 |
| **Total current liabilities** | | **104,318.52** | **69,904.43** |
| **Total liabilties** | | **244,768.00** | **144,891.30** |
| **Total Equity and Liabilities** | | **366,461.11** | **251,563.06** |
| Significant accounting policies | 2 | | |

The notes referred to above form an integral part of the Standalone Ind AS financial statements

As per our report of even date attached

for **B S R & Co. LLP**
Chartered Accountants
Firm's registration number : 101248W/W-100022

**Supreet Sachdev**
Partner
Membership number : 205385

**Place: Bengaluru**
**Date : 25 May 2018**

for and on behalf of the Board of Directors of
**Himatsingka Seide Limited**

**D.K. Himatsingka**
Executive Chairman
DIN: 00139516

**K.P.Rangaraj**
Chief Financial Officer

**Place: Bengaluru**
**Date : 25 May 2018**

**Shrikant Himatsingka**
Managing Director & CEO
DIN: 00122103

**Ashok Sharma**
Company Secretary

# STATEMENT OF PROFIT AND LOSS

**Himatsingka Seide Limited |** For the year ended 31 March 2018

**(₹ Lacs)**

| | Note | For the year ended 31 March 2018 | For the year ended 31 March 2017 |
|---|---|---|---|
| **Income** | | | |
| Revenue from operations | 20 | 160,802.52 | 139,807.02 |
| Other income | 21 | 3,551.39 | 4,192.36 |
| **Total income** | | **164,353.91** | **143,999.38** |
| **Expenses** | | | |
| Cost of materials consumed | 22 | 78,913.68 | 84,682.51 |
| Purchases of stock-in-trade | 22 | 9,289.80 | 3,638.47 |
| Changes in inventory of finished goods, work-in-progress and stock-in-trade | 22 | (1,095.49) | (6,882.00) |
| Employee benefit expense | 23 | 13,765.32 | 11,504.25 |
| Finance costs | 24 | 7,104.97 | 6,365.45 |
| Depreciation and amortisation expense | 25 | 5,529.01 | 4,299.78 |
| Other expenses | 26 | 21,486.48 | 15,901.24 |
| **Total expenses** | | **134,993.77** | **119,509.70** |
| **Profit before tax** | | **29,360.14** | **24,489.68** |
| Current tax | 32 | 6,368.00 | 2,682.87 |
| Deferred tax | 32 | 2,386.95 | 4,122.59 |
| **Income tax expense** | | **8,754.95** | **6,805.46** |
| **Profit for the year** | | **20,605.19** | **17,684.22** |
| **Other comprehensive income** | | | |
| A. Items that will not be reclassified to profit or loss | | | |
| Remeasurements of the defined benefit liabilities / (asset) | | 38.27 | (217.21) |
| Income tax relating to items that will not be reclassified to profit or loss | | (13.24) | 75.17 |
| B. Items that may be reclassified to profit or loss | | | |
| Net change in fair value of hedging instruments in a cash flow hedge | | (4,079.48) | 3,464.23 |
| Income tax relating to items that may be reclassified to profit or loss | | 1,428.07 | (1,198.90) |
| **Other comprehensive income for the year, net of income tax** | | **(2,626.38)** | **2,123.29** |
| **Total comprehensive income for the year** | | **17,978.81** | **19,807.51** |
| **Earnings per equity share (face value of ₹ 5 each)** | | | |
| **Basic and diluted (in ₹)** | **33** | **20.93** | **17.96** |
| Significant accounting policies | 2 | | |

The notes referred to above form an integral part of the Standalone Ind AS financial statements

As per our report of even date attached

for **B S R & Co. LLP**
Chartered Accountants
Firm's registration number : 101248W/W-100022

**Supreet Sachdev**
Partner
Membership number : 205385

**Place: Bengaluru**
**Date : 25 May 2018**

for and on behalf of the Board of Directors of
**Himatsingka Seide Limited**

**D.K. Himatsingka**
Executive Chairman
DIN: 00139516

**K.P.Rangaraj**
Chief Financial Officer

**Place: Bengaluru**
**Date : 25 May 2018**

**Shrikant Himatsingka**
Managing Director & CEO
DIN: 00122103

**Ashok Sharma**
Company Secretary

# STATEMENT OF CHANGES IN EQUITY

**Himatsingka Seide Limited |** For the year ended 31 March 2018

| Particulars | ₹ Lacs |
|---|---|
| **A. Equity share capital** | |
| **Balance as at 1 April 2016** | **4,922.86** |
| Changes in equity share capital during the year | - |
| **Balance as at 31 March 2017** | **4,922.86** |
| Changes in equity share capital during the year | - |
| **Balance as at 31 March 2018** | **4,922.86** |

**B. Other Equity**

**(₹ Lacs)**

| Particulars | Reserves and surplus (Refer Note 13) | | | | | Other items of other comprehensive income | | |
|---|---|---|---|---|---|---|---|---|
| | Capital reserve | Securities premium reserve | General reserve | Debenture Redemption Reserve | Retained earnings | Effective Portion of Cash Flow Hedge | Remeasurement of net defined benefit liability or asset | Total Other Equity |
| **Balance as at 1 April 2016** | **620.88** | **27,675.71** | **16,470.17** | **800.00** | **37,415.85** | **826.47** | **(90.16)** | **83,718.92** |
| Profit for the year | - | - | - | - | 17,684.22 | - | - | 17,684.22 |
| Other comprehensive income for the year, net of income tax | - | - | - | - | - | 2,265.33 | (142.04) | 2,123.29 |
| Payment of dividends, including dividend distribution tax | - | - | - | - | (1,777.53) | - | - | (1,777.53) |
| Transfer to general reserve | - | - | 400.00 | (400.00) | - | - | - | - |
| **Balance as at 31 March 2017** | **620.88** | **27,675.71** | **16,870.17** | **400.00** | **53,322.54** | **3,091.80** | **(232.20)** | **101,748.90** |
| **Balance as at 1 April 2017** | **620.88** | **27,675.71** | **16,870.17** | **400.00** | **53,322.54** | **3,091.80** | **(232.20)** | **101,748.90** |
| Profit for the year | - | - | - | - | 20,605.19 | - | - | 20,605.19 |
| Other comprehensive income for the year, net of income tax | - | - | - | - | - | (2,651.41) | 25.03 | (2,626.38) |
| Payment of dividends, including dividend distribution tax | - | - | - | - | (2,957.46) | - | - | (2,957.46) |
| Transfer to general reserve | - | - | 400.00 | (400.00) | - | - | - | - |
| **Balance as at 31 March 2018** | **620.88** | **27,675.71** | **17,270.17** | **-** | **70,970.27** | **440.39** | **(207.17)** | **116,770.25** |

Significant accounting policies (Refer Note 2)

The notes referred to above form an integral part of the Standalone Ind AS financial statements

As per our report of even date attached

for **B S R & Co. LLP**
Chartered Accountants
Firm's registration number : 101248W/W-100022

**Supreet Sachdev**
Partner
Membership number : 205385

**Place: Bengaluru**
**Date : 25 May 2018**

for and on behalf of the Board of Directors of
**Himatsingka Seide Limited**

**D.K. Himatsingka**
Executive Chairman
DIN: 00139516

**K.P.Rangaraj**
Chief Financial Officer

**Place: Bengaluru**
**Date : 25 May 2018**

**Shrikant Himatsingka**
Managing Director & CEO
DIN: 00122103

**Ashok Sharma**
Company Secretary

# STATEMENT OF CASH FLOWS

**Himatsingka Seide Limited |** For the year ended 31 March 2018

**(₹ Lacs)**

| | Note | For the year ended 31 March 2018 | For the year ended 31 March 2017 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Profit for the year | | 20,605.19 | 17,684.22 |
| **Adjustments for:** | | | |
| Finance costs | 24 | 7,104.97 | 6,365.45 |
| Interest income | 21a | (2,106.24) | (2,347.45) |
| Net gain on sale of investments in mutual funds | 21c | (261.47) | (667.79) |
| Gain on current investments carried at fair value through profit or loss | 21c | (655.96) | - |
| Loss allowance on financial assets, net | 26 | 30.00 | - |
| Net loss/(gain) on disposal of property, plant and equipment | 21c | 16.13 | (257.15) |
| Loss on disposal of subsidiary | 26 | - | 269.50 |
| Amortized value of employee loans and security deposits | | 46.40 | 39.37 |
| Income on financial guarantee contracts | 21b | (166.66) | (153.14) |
| Depreciation and amortisation expense | 25 | 5,529.01 | 4,299.78 |
| Ineffective portion of hedging instrument | | 102.27 | - |
| Net foreign exchange gain/(loss) on non-operating activities | | 141.09 | (253.52) |
| Rental income from operating lease | 21b | (43.37) | (38.83) |
| Income tax expense | 32 | 8,754.95 | 6,805.46 |
| **Operating cash flows before working capital changes** | | **39,096.31** | **31,745.90** |
| **Changes in operating assets and liabilities** | | | |
| (Increase) in trade and other receivables | | (6,753.88) | (14,567.04) |
| (Increase) in inventories | | (4,337.91) | (7,369.20) |
| (Increase) in other assets | | (21,709.32) | (1,139.82) |
| Increase in trade and other payables | | 5,975.19 | 4,598.47 |
| Increase in provisions | | 212.86 | 152.10 |
| Increase/(Decrease) in other liabilities | | 302.57 | (202.44) |
| **Cash generated from operations** | | **12,785.82** | **13,217.97** |
| Income taxes paid, net of refund | | (4,836.12) | (5,709.92) |
| **Net cash (used in)/ generated from operating activities (A)** | | **7,949.70** | **7,508.05** |
| **Cash flows from investing activities** | | | |
| Payments to acquire financial assets | | (30,214.56) | (54,265.58) |
| Proceeds on sale of financial assets | | 19,238.87 | 54,933.37 |
| Interest received | | 494.19 | 2,247.83 |
| Expenditure on property, plant and equipment and intangible assets | | (59,765.29) | (38,588.54) |
| Proceeds from sale of property, plant and equipment | | 196.42 | 295.86 |
| Income from investment property | | 43.37 | 38.83 |
| Net cash outflow on acquisition of subsidiaries | | (351.63) | (627.31) |
| Investment in fixed deposits | | (4,556.61) | (12,056.33) |
| Proceeds from fixed deposits maturity | | 14,036.38 | 212.18 |
| Loans to subsidiaries | | 448.39 | 160.46 |
| **Net cash used in investing activities (B)** | | **(60,430.47)** | **(47,649.23)** |

# STATEMENT OF CASH FLOWS

**Himatsingka Seide Limited |** For the year ended 31 March 2018

**(₹ Lacs)**

| | Note | For the year ended 31 March 2018 | For the year ended 31 March 2017 |
|---|---|---|---|
| **Cash flows from financing activities** | | | |
| Proceeds from current borrowings | | 21,080.95 | 17,968.02 |
| Proceeds from non-current borrowings | | 67,186.47 | 34,186.88 |
| Repayment of non-current borrowings | | (16,370.66) | (10,025.07) |
| Dividends paid on equity shares | | (2,957.46) | (1,777.51) |
| Proceeds from government subsidy | | 640.67 | 617.87 |
| Interest paid | | (12,781.71) | (7,753.59) |
| **Net cash generated from financing activities (C)** | | **56,798.26** | **33,216.60** |
| **Net increase/(decrease) in cash and cash equivalents** | | **4,317.49** | **(6,924.58)** |
| Cash and cash equivalents at the beginning of the year | 11 | 3,117.07 | 10,041.65 |
| **Cash and cash equivalents at the end of the year**** | **11** | **7,434.56** | **3,117.07** |
| **Cash and cash equivalents includes bank overdrafts that are repayable on demand and form an integral part of the Company's cash management. | | | |
| **Components of cash and cash equivalents (refer note 11)** | | | |
| **Cash and cash equivalents** | | | |
| Cash in hand | | 10.97 | 21.00 |
| Balance with banks | | | |
| - in current accounts | | 7,423.59 | 3,096.07 |
| - in deposit accounts (with original maturity of less than 3 months) | | - | - |
| **Cash and cash equivalents in balance sheet** | | **7,434.56** | **3,117.07** |
| Significant accounting policies | 2 | | |

The notes referred to above form an integral part of the Standalone Ind AS financial statements

As per our report of even date attached

*for* **B S R & Co. LLP**
Chartered Accountants
Firm's registration number : 101248W/W-100022

**Supreet Sachdev**
Partner
Membership number : 205385

**Place: Bengaluru**
**Date : 25 May 2018**

for and on behalf of the Board of Directors of
**Himatsingka Seide Limited**

**D.K. Himatsingka**
Executive Chairman
DIN: 00139516

**K.P.Rangaraj**
Chief Financial Officer

**Place: Bengaluru**
**Date : 25 May 2018**

**Shrikant Himatsingka**
Managing Director & CEO
DIN: 00122103

**Ashok Sharma**
Company Secretary

**Reporting entity**

Himatsingka Seide Limited ('the Company') is a public limited Company incorporated in India and listed on Bombay Stock Exchange and National Stock Exchange. The Company is primarily engaged in manufacturing of home textiles, mainly in bedding, drapery and upholstery products, made of cotton, silk, and blends.

The Company has investments in various subsidiaries and associate across the globe, covering the United States of America, Italy, United Kingdom, Singapore and Dubai which are into distribution of home textile products. The Company along with its subsidiaries represents a vertically integrated home textile group that manufactures, retails and distributes bedding, bath, drapery, upholstery and lifestyle accessory products.

The registered office of the Company is 10/24, Kumara Krupa Road, High Grounds, Bengaluru – 560 001.

**Note1: Basis of preparation**

**1.1 Statement of Compliance**

These standalone financial statements have been prepared in accordance with Indian Accounting Standards ("Ind AS") as per the Companies (Indian Accounting Standards) Rules, 2015 notified under Section 133 of the Companies Act, 2013 ("the Act") and other relevant provisions of the Act.

Accounting policies have been consistently applied except where a newly issued Indian Accounting Standard is initially adopted or a revision to an existing Indian Accounting Standard requires a change in the accounting policy hitherto in use.

The Company's standalone Ind AS financial statements were approved by the Company's Board of Directors on 25 May 2018.

**1.2 Functional and presentation currency**

These standalone financial statements are presented in India Rupees (₹), which is also the Company's functional currency. All amounts have been presented in rupees in lacs and rounded off upto two decimals.

**1.3 Basis of measurement**

The standalone financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies below.

**1.4 Use of estimates and judgement**

The preparation of the standalone financial statements in conformity with Ind AS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. They are based on historical experience and other factors that are believed to be reasonable under the circumstance. Revisions to accounting estimates are recognised prospectively.

**Assumptions, judgements and estimation**

Information about assumptions, judgements and estimations that have a significant risk of resulting in a material adjustment in the year ending 31 March 2018 is summarized below:

- note 3 - useful life of property, plant and equipment and intangible assets;
- note 4, 5, 6, 10, 34 - impairment of financial assets
- note 7, 32 - recognition of deferred tax assets; availability of future taxable profits against which deferred tax can be used;
- note 15 - measurement of defined benefit obligation: key actuarial assumptions;
- note 28 - recognition and measurement of provisions and contingencies; key assumptions about the likelihood and magnitude of an outflow of resources.

**1.5 Measurement of fair values**

Certain accounting policies and disclosures of the Company require the measurement of fair values, for both financial and non-financial assets and liabilities.

Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

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

**Level 2** inputs are 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) ; and

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

When measuring the fair value of an asset or a liability, the Company uses observable market data as far as possible. If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Company recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Further information about the assumptions made in measuring fair values is included in the following notes:

- note 34: financial instruments.

**Note 2. Significant accounting policies**

**2.1 Revenue Recognition**

Revenue is recognized to the extent that it is probable that the economic benefits associated with the transaction will flow to the entity and revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and is inclusive of excise duty and net of taxes and duties collected on behalf of the government.

Revenue from the sale of goods and sale of scrap in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. This inter alia involves discounting of the consideration due to the present value if payment extends beyond normal credit terms. Revenue is recognized when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing effective control over, or managerial involvement with, the goods, and the amount of revenue can be measured reliably.

The timing of transfers of risks and rewards varies depending on the individual terms of sale.

Income from government incentives are recognized in the statement of profit and loss account when the right to receive credit as per the terms of the entitlement is established in respect of exports made (also refer note 2.5 below).

**2.2 Other Income**

Other income comprises interest income on deposits, dividend income and gain/ (losses) on disposal of financial assets and non-financial assets. Interest income is recognised using the effective interest method.

The 'effective interest rate' is the rate the exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- The gross carrying amount of the financial asset; or
- The amortised cost of the financial liability.

Dividend Income from investments is recognised when the shareholder's right to receive payment has been established.

**2.3 Leases**

Leases of property, plant and equipment that transfer to the Company substantially all the risks and rewards of ownership are classified as finance leases. The leased assets are measured initially at an amount equal to lower of their fair value and the present value of the minimum lease payments. Subsequent to initial recognition the assets are accounted for in accordance with the accounting policy applicable to similar owned assets.

Leases in which a significant portion of risk and rewards of ownership are not transferred to the company as lessee are classified as operating lease. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight line over period of lease unless the payments are structured to increase in line with expected general inflation to compensate for the lessor's expected inflationary cost increases.

**2.4 Borrowings and borrowing cost**

Borrowing costs are interest and other costs (including exchange differences relating to foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs) incurred in connection with the borrowing of funds. Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur.

**2.5 Government grants**

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and the Company will comply with all attached conditions. When the grant relates to revenue, it is recognised in the statement of profit and loss on a systematic basis over the periods to which they relate. When the grant relates to an asset, it is treated as deferred income and recognised in the statement of profit and loss on a systematic basis over the useful life of the asset.

**2.6 Employee benefits**

**a. Defined benefit plans**

The Company's gratuity plan is a defined benefit plan. The present value of gratuity obligation under such defined benefit plans is determined based on actuarial valuations carried out by an independent actuary using the Projected Unit Credit Method, which recognizes each period of service as giving rise to additional unit of employee benefit entitlement and measure each unit separately to build up the final obligation. The obligation is measured at the present value of estimated future cash flows. The discount rates used for determining the present value of obligation under defined benefit plans, is based on the market yields on Government securities as at the balance sheet date, having maturity periods approximating to the terms of related obligations.

Actuarial gains or losses are recognized in other comprehensive income. Further, the statement of profit and loss does not include an expected return on plan assets. Instead net interest recognized in profit or loss is calculated by applying the discount rate used to measure the defined benefit obligation to the net defined benefit liability or asset. The actual return on plan assets above or below the discount rate is recognized as part of remeasurement of net defined liability or asset through other comprehensive income.

Remeasurements comprising actuarial gains or losses and return on plan assets (excluding amounts included in net interest on the net defined benefit liability) are not reclassified to profit or loss in subsequent periods.

The Company's gratuity scheme is administered through a third party trust and the provision for the same is determined on the basis of actuarial valuation carried out by an independent actuary. Provision is made for the shortfall, if any, between the amounts required to be contributed to meet the accrued liability for gratuity as determined by actuarial valuation and the available corpus of the funds.

**b. Short term employee benefits**

All employee benefits falling due wholly within twelve months of rendering the services are classified as short-term employee benefits, which include benefits like salaries, wages, short-term compensated absences and performance incentives and are recognised as expenses in the period in which the employee renders the related service.

Short term employee benefits are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid e.g. short term cash bonus, if the Company has a present legal or constructive obligation to pay this amount as a result of past services provided by the employee and the amount of obligation can be estimated reliably.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service ('past service cost' or 'past service gain') or the gain or loss on curtailment is recognized immediately in the statement of profit and loss. The Company recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

**c. Compensated absences**

The employees of the Company are entitled to compensated absence. The employees can carry-forward a portion of the unutilized accumulating compensated absence and utilize it in future periods. The Company records an obligation for compensated absences in the period in which the employee renders the services that increases this entitlement. The obligation is measured on the basis of an independent actuarial valuation using the Projected Unit method as at the reporting date.

**d. Defined contribution plan**

A defined contribution plan is a post-employment benefit plan under which an entity pays specified contributions to a separate entity and has no obligation to pay any further amounts. The Company makes specified monthly contributions towards employee Provident Fund to Government administered Provident Fund Scheme which is a defined contribution plan. 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.

**2.7 Taxation**

Income tax expense comprises current and deferred income tax. Income tax expense is recognized in net profit in the statement of profit and loss except to the extent it relates to items recognized directly in equity, in which case it is recognized in other comprehensive income.

Current income tax for current and prior periods is recognised at the amount expected to be paid to or recovered from the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the reporting date. Deferred income tax assets and liabilities are recognised for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the standalone financial statements except for the cases mentioned below.

Deferred income tax assets and liabilities are measured using tax rates and tax laws that have been enacted or substantively enacted by the reporting date and are expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect of changes in tax rates on deferred income tax assets and liabilities is recognised as income or expense in the period that includes the enactment or the substantive enactment date.

**Deferred tax is not recognised for**:

- temporary differences arising on the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profits or loss at the time of the transaction.
- temporary investments related to investment in subsidiaries, associates and joint arrangements to the extent that the Company is able to control the timing of reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which they can be used. The Company recognises a deferred tax asset only to the extent that it has sufficient taxable temporary differences or there is convincing other evidence that sufficient taxable profits will be available against which such deferred tax can be realised. Deferred tax assets, unrecognised or recognised, are reviewed at each reporting date and are recognised/reduced to the extent that it is probable/no longer probable respectively that the related tax benefit will be realised.

Minimum alternative tax ('MAT') paid in accordance with the tax laws, which gives rise to future economic benefits in the form of adjustment of future tax liability, is considered as an asset if there is convincing evidence that the Company will pay normal income tax in future years. Ind AS 12 defines deferred tax to include carry forward of unused tax credits that are carried forward by the entity for a specified period of time. Accordingly, MAT credit entitlement is grouped with deferred tax assets (net) in the balance sheet.

The Company offsets, the current tax assets and liabilities (on a year on year basis) and deferred tax assets and liabilities, where it has a legally enforceable right and where it intends to settle such assets and liabilities on a net basis.

**2.8 Property, plant and equipment**

**a. Recognition and measurement:**

Items of property, plant and equipment except freehold land held for use in the production, supply or administrative purposes, are measured at cost less accumulated depreciation (which includes capitalised borrowing costs, if any) and accumulated impairment losses, if any.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

Cost of an item of property, plant and equipment comprises its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates, any directly attributable costs of bringing an asset to working condition for its intended use and estimated cost of dismantling and removing the item and restoring the site on which it is located. Costs directly attributable to acquisition are capitalized until the property, plant and equipment are ready for use, as intended by management.

The cost of a self-constructed item of property, plant and equipment comprises the cost of materials, direct labour and any other costs directly attributable to bringing the item to its intended working condition and estimated costs of dismantling, removing and restoring the site on which it is located, wherever applicable.

Assets in the course of construction are capitalised as capital work-in-progress. At the point when an asset is operating at management's intended use, the cost of construction is transferred to the appropriate category of property, plant and equipment and depreciation commences. Costs associated with the commissioning of an asset and any obligatory decommissioning costs are capitalised where the asset is available for use but incapable of operating at normal levels until a period of commissioning has been completed. Revenue generated from production during the trial period are adjusted with cost of capitalization.

Subsequent expenditures relating to property, plant and equipment is capitalized only when it is probable that future economic benefits associated with these will flow to the Company and the cost of the item can be measured reliably. Repairs and maintenance costs are recognized in the statement of profit and loss when incurred. The cost and related accumulated depreciation are eliminated from the financial statements upon sale or retirement of the asset and the resultant gains or losses are recognized in the statement of profit and loss. Assets to be disposed off are reported at the lower of the carrying value or the fair value less cost to sell.

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

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in Statement of Profit and Loss.

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

**b. Depreciation:**

Depreciation is provided on a Straight Line Method ('SLM') over the estimated useful lives of the property, plant and equipment as estimated by the Management and is generally recognised in the Statement of profit and loss.
Depreciation on additions (disposals) is provided on a pro-rata basis i.e. from (upto) the date on which asset is ready for use (disposed of).

The Company has estimated the useful lives for property, plant and equipment as follows:

| Class of assets | Years |
|---|---|
| Buildings | 30-60 years |
| Plant and machinery | 8 - 25 years |
| Furniture and fixtures | 10 years |
| Office equipment | 3-6 years |
| Books and catalogues | 4 years |
| Vehicles | 6 -10 years |
| Leasehold improvements | shorter of the lease term and their useful lives |

Freehold land and leasehold land where the lease is convertible to owned land under lease agreements at future dates at no additional cost, are not depreciated.

The Management believes that the useful lives as given best represent the period over which the management expects to use these assets based on an internal assessment and technical evaluation where necessary. Hence, the useful lives for some of these assets are different from the useful lives as prescribed under Part C of Schedule II of the Act.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted if appropriate. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposal are determined by comparing proceeds with carrying amount. These are included in profit or loss within other gains / losses.

**2.9 Intangible Assets**

**Acquired intangible assets**

**a. Recognition and measurement**

Intangible assets that are acquired by the Company are measured initially at cost. After initial recognition, an intangible asset is carried at its cost less any accumulated amortization and any accumulated impairment loss.

**b. Subsequent measurement**

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including on internally generated software is recognized in profit and loss as and when incurred.

**c. Amortisation**

The Company amortizes intangible assets with a finite useful life using the straight-line method.
The estimated useful lives of intangibles are as follows:

| Class of assets | Useful life |
|---|---|
| Computer Software | 10 years |
| Design costs | 4 years |
| Technical know-how | 10 years |

The residual values, useful lives and method of amortisation of intangible assets are reviewed at each financial year end and adjusted if appropriate.

**d. Derecognition of intangible assets**

An intangible asset is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal of an intangible asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in Statement of Profit and Loss.

**2.10 Impairment of non-financial assets**

Intangible assets and property, plant and equipment 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.

If such assets/ CGU are considered to be impaired, the impairment to be recognised in the Statement of profit and loss is measured by the amount by which the carrying value of the assets exceeds the estimated recoverable amount of the asset. An impairment loss is reversed in the Statement of profit and loss if there has been a change in the estimates used to determine the recoverable amount.

The carrying amount of the asset/ CGU is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of any accumulated amortisation or depreciation) had no impairment loss been recognised for the asset in prior years.

**2.11 Inventories**

Inventories are measured at the lower of cost and net realizable value.

Cost of inventories comprises purchase price, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. In determining the cost, weighted average cost is used. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs to sell. The comparison of cost and net realizable value is made on an item-by-item basis.

**The method of determination of cost is as follows:**

- Raw materials – on a weighted average cost basis
- Stores and spares – on a weighted average cost basis
- Work-in-progress – includes costs of conversion
- Finished goods – includes costs of conversion
- Traded goods – at purchase cost
- Goods in transit – at purchase cost

The net realizable value of work-in-progress is determined with reference to the net realizable value of related finished goods. Raw materials and other supplies held for use in production of inventories 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 realizable value. Fixed production overheads are allocated on the basis of normal capacity of production facilities. The provision for inventory obsolescence is assessed periodically and is provided as considered necessary.

**2.12 Foreign Currency transactions and balances**

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign currency denominated monetary assets and liabilities are translated into relevant functional currency at exchange rates in effect at the balance sheet date.

Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognized in the statement of profit and loss.

Non-monetary assets and non-monetary liabilities denominated in foreign currency and measured at fair value are translated at the exchange rate prevalent at the date when the fair value was determined. Non-monetary assets and non-monetary liabilities denominated in a foreign currency and measured at historical cost are translated at the exchange rate prevalent at the date of transaction. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss and are generally recognized in the statement of profit and loss, except exchange differences arising from the translation of the following items which are recognized in OCI:

- equity investments at fair value through OCI (FVOCI)
- a financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; and
- qualifying cash flow hedges to the extent that the hedges are effective.

**2.13 Provisions**

**General**

A provision is recognised if, as a result of a past event, the Company has a present obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are recognised at the best estimate of the expenditure required to settle the present obligation at the reporting date. Provisions are determined by discounting the expected future cash flows (representing the best estimate of the expenditure required to settle the present obligation at the reporting date) at a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the liability. The unwinding of discount is recognised as finance cost. Expected future operating losses are not provided for.

**2.14 Investment in subsidiaries**

Investment in subsidiaries are shown at cost less impairment. Where the carrying amount of an investment is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount and the difference is transferred to the statement of profit and loss.

On disposal of investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the statement of profit and loss.

**2.15 Financial Instruments**

**a. Recognition and initial measurement**

Trade receivables and debt securities issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Company becomes a party to the contractual provisions of the instrument.

All financial instruments are recognised initially at fair value. Transaction costs that are attributable to the acquisition of the financial asset (other than financial assets recorded at fair value through profit or loss) are included in the fair value of the financial assets.

**b. Classification and subsequent measurement**

**i. Financial assets**

On initial recognition, a financial asset is classified and measured at

- amortised cost;
- fair value through other comprehensive income (FVOCI) - debt investment;
- fair value through other comprehensive income (FVOCI) - equity investment; or
- fair value through profit and loss (FVTPL)

Financial assets are not classified subsequent to their initial recognition, except if and in the period the Company changes its business model for managing financial assets.

A financial asset is measured at amortised cost if it meets both the following conditions and is not designated as 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 assets give rise on a specified date to cash flows that are solely payments of principal and interest on the principal amounts outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is achieved by both collecting contractual cash flow and selling financial assets ; and
- the contractual terms of the financial assets give rise on a specified date to cash flows that are solely payments of principal and interest on the principal amounts outstanding.

On initial recognition of an equity investment that is not held for trading, the Company irrevocably elects to present subsequent changes in the investment's fair value in OCI (designated as FVOCI-equity investment). This election is made on an investment-to-investment basis.

All financial assets not classified as amortised cost or FVOCI as described above are measured at FVTPL. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL, if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets: Subsequent measurement and gains and losses

| | |
|---|---|
| Financial assets at FVTPL | These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income are recognised in the Statement of profit and loss.. |
| Financial assets at at amortised cost | These assets are subsequently measured at amortised cost using the effective interest method reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in the Statement of profit and loss. Any gain or loss on derecognition is recognised in the Statement of profit and loss. |
| Debt investments at FVOCI | These assets are subsequently measured at fair value. Interest income under the effective interest method, foreign exchange gains and losses and impairment are recognised in the Statement of profit and loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to the Statement of profit and loss. |
| Equity investments at FVOCI | These assets are subsequently measured at fair value. Dividends are recognised as income in the Statement of profit and loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are not reclassified to the Statement of profit and loss. |

**Impairment of financial assets**

The Company assesses on a forward looking basis the expected credit losses associated with its assets carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Note 34 details how the Company determines whether there has been a significant increase in credit risk.

In accordance with Ind AS 109, the Company applies expected credit loss ("ECL") model for measurement and recognition of impairment loss. The Company follows 'simplified approach' for recognition of impairment loss allowance on financial assets, trade receivables. The application of simplified approach does not require the Company to track changes in credit risk. Rather, it recognises impairment loss allowance based on lifetime ECLs at each reporting date, right from its initial recognition.

For recognition of impairment loss on other financial assets and risk exposure, the Company determines that whether there has been a significant increase in the credit risk since initial recognition. If credit risk has not increased significantly, 12-month ECL is used to provide for impairment loss. However, if credit risk has increased significantly, lifetime ECL is used. If in subsequent period, credit quality of the instrument improves such that there is no longer a significant increase in credit risk since initial recognition, then the Company reverts to recognising impairment loss allowance based on 12 month ECL.

**Derecognition of financial assets**

A financial asset is derecognised only when:

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

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

Where the Company has neither transferred a financial asset nor retains substantially all risks and rewards of ownership of the financial asset, the financial asset is derecognised if the Company has not retained control of the financial asset.

**ii) Financial liabilities**

**Classification, subsequent measurement and gains and losses**

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

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

**Amortised cost**

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the Effective Interest Rate ("EIR") method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in the statement of profit and loss.

**Financial guarantee contracts**

Financial guarantee contracts issued by the Company are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified party fails to make a payment when due in accordance with the terms of a debt instrument. Financial guarantee contracts are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequently, the liability is measured at the higher of the amount of loss allowance determined as per impairment requirements of Ind AS 109 and the amount recognised less cumulative amortisation.

**Derecognition**

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

**Offsetting**

Financial assets and financial liabilities are offset and the net amount presented in the balance sheet when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

**2.16 Derivative financial instruments and hedge accounting**

The Company holds derivative financial instruments to hedge its foreign currency risk exposure.

Derivatives are initially measured at fair value. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognized in the statement of profit and loss.

The Company designates their derivatives as hedge instruments to hedge the variability in cash flows associated with highly probable forecast transactions arising from changes in foreign exchange rates.

At inception of designated hedging relationships, the Company documents the risk management objective and strategy for undertaking the hedge. The Company also documents the economic relationship between the hedged item and the hedging instrument, including whether the changes in cash flows of the hedged item and hedging instrument are expected to offset each other.

**Cash flow hedges**

When a derivative is designated as a cash flow hedging instrument, the effective portion of changes in the fair value of the derivatives is recognized in OCI and accumulated in the other equity under 'effective portion of cash flow hedges'. The effective portion of changes in the fair value of the derivative that is recognized in OCI is limited to the cumulative change in fair value of the hedged item, determined on a present value basis, from inception of the hedge. Any ineffective portion of changes in the fair value of the derivative is recognized immediately in the statement of profit and loss.

When the hedged forecast transaction subsequently results in the recognition of a non-financial item such as inventory, the amount accumulated in other equity is included directly in the initial cost of the non-financial item when it is recognized. For all other hedged forecast transactions, the amount accumulated in other equity is reclassified to the statement of profit and loss in the same period or periods during which the hedged expected future cash flows affect the statement of profit and loss.

If a hedge no longer meets the criteria for hedge accounting or the hedging instruments is sold, expires is terminated or is exercised, then hedge accounting is discontinued prospectively. When hedge accounting for cash flow hedges is discontinued, the amount that has been accumulated in other equity remains there until, for a hedge of a transaction resulting in recognition of a non-financial item, it is included in the non-financial item's cost on its initial recognition or, for other cash flow hedges, it is reclassified to the statement of profit and loss in the same period or periods as the hedged expected future cash flows affect the statement of profit and loss.

If the hedged future cash flows are no longer expected to occur, then the amounts that have been accumulated in other equity are immediately reclassified to the statement of profit and loss.

Changes in fair value of foreign currency derivative instruments not designated as cash flow hedges are recognized in the statement of profit and loss and reported within foreign exchange gains, net within results from operating activities.

**2.17 Earnings per share**

The basic earnings per share is computed by dividing the net profit attributable to owners of the Company for the year by the weighted average number of equity shares outstanding during reporting period.

The number of shares used in computing diluted earnings per share comprises the weighted average shares considered for deriving basic earnings per share and also the weighted average number of equity shares which could have been issued on the conversion of all dilutive potential equity shares.

Dilutive potential equity shares are deemed converted as of the beginning of the reporting date, unless they have been issued at a later date. In computing diluted earnings per share, only potential equity shares that is dilutive and which either reduces earnings per share or increase loss per share are included.

**2.18 Cash and cash equivalents**

Cash and cash equivalents include cash in hand, demand deposits with banks and other short-term highly liquid investments with original maturities of three months or less.

For the purpose of cash flow statement, cash and cash equivalent includes cash in hand, in banks, demand deposits with banks and other short-term highly liquid investments with original maturities of three months or less, net of outstanding bank overdrafts that are repayable on demand and are considered part of the cash management system.

**2.19 Cash flow statement**

Cash flows are reported using the indirect method, whereby net profit for the period is adjusted for the effects of transactions of a non-cash nature, any deferrals or accruals of past or future operating cash receipts or payments and item of income or expenses associated with investing or financing cash flows. The cash flows from operating, investing and financing activities of the Company are segregated.

**2.20 Contingent liability**

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

**2.21 Standards issued but not yet effective**

On 28 March 2018, the Ministry of Corporate Affairs issued the Companies (Indian Accounting Standards) (Amendments) Rules, 2018, notifying amendments to Ind AS 40, 'Investment Property', Ind AS 21, 'The Effects of Changes in Foreign Exchange Rates, Ind AS 12, 'Income Taxes', Ind AS 28, 'Investments in Associates and Joint Ventures', 'Ind AS 112, ' Disclosure of Interests in Other Entities' and Ind AS 115, 'Revenue from contracts with customers". These amendments maintain convergence with IFRS by incorporating amendments issued by the International Accounting Standards Board (IASB) into Ind AS. The amendments are applicable to the company from 1 April 2018.

**Amendment to Ind AS 40, Investment Property**

The amendment to Ind AS 40 lays down the principle regarding when a Company should transfer to, or from, investment property. Accordingly, a transfer is made only when:

a. There is an actual change of use i.e. an asset meets or ceases to meet the definition of investment property.
b. There is evidence of the change in use.

The impact of the above stated amendment to the Company is Nil as the same is not applicable to the Company.

**Amendment to Ind AS 21, The Effects of Changes in Foreign Exchange Rates**

Appendix B to Ind AS 21, Foreign currency transactions and advance consideration clarifies the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income, when an entity has received or paid advance consideration in a foreign currency.

The Company is in process of evaluating the effect of this on the standalone financial statements and expects the impact to be not material.

**Amendment to Ind AS 12, Income Taxes**

The amendment to Ind AS 12 considers that:

a. Tax law determines which deductions are offset against taxable income in determining taxable income in determining taxable profits.
b. No deferred tax asset is recognised if the reversal of the deductible temporary difference will not lead to tax deductions.

The Company is evaluating the effect of this on the standalone financial statements and expects the impact to be not material.

**Amendment to Ind AS 28, Investments in Associates and Joint Ventures**

The amendment to Ind AS 28 clarifies that a venture capital organisation, or a mutual fund, unit trust and similar entities may elect, at initial recognition, to measure investments in an associate or joint venture at fair value through profit or loss separately for each associate or joint venture.

The impact of the above stated amendment to the Company is NIL as the same is not applicable to the Company.

**Amendment to Ind AS 112, Disclosure of Interests in Other Entities**

The amendment to Ind AS 112 provide that the disclosure requirements for interests in other entities also apply to interests that are classified (or included in a disposal group that is classified) as held for sale or as discontinued operations in accordance with Ind AS 105, Non-current Assets Held for Sale and Discontinued Operations.

The impact of the above stated amendment to the Company is NIL as the same is not applicable to the Company.

**Ind AS 115, Revenue from Contracts with Customers:**

Ind AS 115, establishes a comprehensive framework for determining whether, how much and when revenue should be recognised. It replaces existing revenue recognition guidance, including Ind AS 18 Revenue, Ind AS 11 Construction Contracts and Guidance Note on Accounting for Real Estate Transactions. Ind AS 115 is effective for annual periods beginning on or after 1 April 2018 and will be applied accordingly.

The standard permits two possible methods of transition:

- Retrospective approach - Under this approach the standard will be applied retrospectively to each prior reporting period presented in accordance with Ind AS 8 - Accounting Policies, Changes in Accounting Estimates and Errors
- Retrospectively with cumulative effect of initially applying the standard recognised at the date of initial application (Cumulative catch - up approach)

The Company has completed an initial qualitative assessment of the potential impact of the adoption of Ind AS 115 on accounting policies followed in its standalone financial statements. The quantitative impact of adoption of Ind AS 115 on the standalone financial statements in the period of initial application is not expected to be material.

The Company will adopt the standard on 1 April, 2018 by using the cumulative catch-up transition method and accordingly the comparatives will not be adjusted.

**Note 3.1 : Property, plant and equipment**

**(₹ Lacs)**

| Particulars | Tangible Assets | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Freehold Land (refer note 3.1.1) | Buildings | Buildings - Operating lease | Plant and Machinery | Furniture and Fixtures | Leasehold Improve-ments | Office Equipment | Vehicles | Books and Cata-logues | Total |
| Cost: | | | | | | | | | | |
| Balance as at 1 April 2016 | 16,450.09 | 13,145.58 | 26.09 | 63,346.55 | 659.08 | 105.24 | 1,243.59 | 128.31 | - | 95,104.53 |
| Additions | - | 4,425.57 | - | 24,591.57 | 101.04 | 14.92 | 394.33 | 11.97 | 544.01 | 30,083.41 |
| Disposals | - | - | - | (1,589.75) | (0.17) | - | (0.06) | - | - | (1,589.98) |
| Balance as at 31 March 2017 | 16,450.09 | 17,571.15 | 26.09 | 86,348.37 | 759.95 | 120.16 | 1,637.86 | 140.28 | 544.01 | 123,597.96 |
| Balance as at 1 April 2017 | 16,450.09 | 17,571.15 | 26.09 | 86,348.37 | 759.95 | 120.16 | 1,637.86 | 140.28 | 544.01 | 123,597.96 |
| Additions | 5,366.59 | 25,412.79 | - | 66,342.93 | 1,298.37 | 13.71 | 540.25 | 23.37 | - | 98,998.01 |
| Disposals | - | - | - | (376.53) | (6.22) | - | (144.41) | (25.53) | - | (552.69) |
| **Balance as at 31 March 2018** | **21,816.68** | **42,983.94** | **26.09** | **152,314.77** | **2,052.10** | **133.87** | **2,033.70** | **138.12** | **544.01** | **222,043.28** |
| Accumulated depreciation: | | | | | | | | | | |
| Balance as at 1 April 2016 | - | (823.13) | (1.73) | (39,124.18) | (539.22) | (102.33) | (1,110.07) | (62.78) | - | (41,763.44) |
| Depreciation expense | - | (897.26) | (1.77) | (3,495.22) | (46.96) | (10.87) | (135.54) | (16.08) | (0.37) | (4,604.07) |
| Eliminated on disposal of assets | - | - | - | 1,551.05 | 0.17 | - | 0.06 | - | - | 1,551.28 |
| Balance as at 31 March 2017 | - | (1,720.39) | (3.50) | (41,068.35) | (586.01) | (113.20) | (1,245.55) | (78.86) | (0.37) | (44,816.23) |
| Balance as at 1 April 2017 | - | (1,720.39) | (3.50) | (41,068.35) | (586.01) | (113.20) | (1,245.55) | (78.86) | (0.37) | (44,816.23) |
| Depreciation expense | - | (1,012.08) | (1.77) | (4,685.11) | (65.38) | (12.58) | (268.32) | (18.06) | (97.38) | (6,160.68) |
| Eliminated on disposal of assets | - | - | - | 306.66 | 5.97 | - | 1.98 | 25.53 | - | 340.14 |
| **Balance as at 31 March 2018** | **-** | **(2,732.47)** | **(5.27)** | **(45,446.80)** | **(645.42)** | **(125.78)** | **(1,511.89)** | **(71.39)** | **(97.75)** | **(50,636.77)** |
| Net carrying amount: | | | | | | | | | | |
| **As at 31 March 2018** | **21,816.68** | **40,251.47** | **20.82** | **106,867.97** | **1,406.68** | **8.09** | **521.81** | **66.73** | **446.26** | **171,406.51** |
| As at 31 March 2017 | 16,450.09 | 15,850.76 | 22.59 | 45,280.02 | 173.94 | 6.96 | 392.31 | 61.42 | 543.64 | 78,781.73 |

There has been no impairment losses recognised during the year or previous year.

**Note 3.1.1**

Freehold land includes ₹ 37.51 lacs (As at 31 March 2017 ₹ 37.51 lacs) being the share in land jointly owned with others. During 2003-04, the khata in respect of one of the Company's properties was merged with those of other adjacent properties to facilitate better utilization of the property by joint construction and entitlement of proportionate undivided share of the amalgamated property.

**Note 3.1.2**

Certain property, plant and equipment are pledged against borrowings, the details relating to which have been described in Note 14.1 pertaining to borrowings.

**Note 3.1.3**

The above assets are owned and used by the Company and the employees of the Company other than those assets which are given on lease. Also refer note 29 (a) for assets given on operating lease.

**Note 3.1.4**

During the year, the Company completed the construction of integrated ultra fine count cotton yarn spinning facility and commenced the commercial production on 5 February 2018. Refer note 30 for details of expenses capitalised.

**Note 3.2 : Intangible assets**

**(₹ Lacs)**

| Particulars | Computer software | Design costs | Technical know-how | Total |
|---|---|---|---|---|
| **Cost:** | | | | |
| **Balance as at 1 April 2016** | **994.58** | **330.42** | **-** | **1,325.00** |
| Additions | 651.11 | - | 324.22 | 975.33 |
| **Balance as at 31 March 2017** | **1,645.69** | **330.42** | **324.22** | **2,300.33** |
| **Balance as at 1 April 2017** | **1,645.69** | **330.42** | **324.22** | **2,300.33** |
| Additions | 249.40 | - | - | 249.40 |
| **Balance as at 31 March 2018** | **1,895.09** | **330.42** | **324.22** | **2,549.73** |
| **Accumulated amortisation:** | | | | |
| **Balance as at 1 April 2016** | **(398.55)** | **(50.19)** | **-** | **(448.74)** |
| Amortisation expense | (152.69) | (50.19) | - | (202.88) |
| **Balance as at 31 March 2017** | **(551.24)** | **(100.38)** | **-** | **(651.62)** |
| **Balance as at 1 April 2017** | **(551.24)** | **(100.38)** | **-** | **(651.62)** |
| Amortisation expense | (92.27) | (50.19) | (32.42) | (174.88) |
| **Balance as at 31 March 2018** | **(643.51)** | **(150.57)** | **(32.42)** | **(826.50)** |
| **Net carrying amount:** | | | | |
| **As at 31 March 2018** | **1,251.58** | **179.85** | **291.80** | **1,723.23** |
| **As at 31 March 2017** | **1,094.45** | **230.04** | **324.22** | **1,648.71** |
| There has been no impairment losses recognised during the year or previous year. | | | | |

**Note 4 : Investments**

**(₹ Lacs)**

| Particulars | As at 31 March 2018 | As at 31 March 2017 |
|---|---|---|
| **4A : Non-current investments**<br>**Unquoted Investments**<br>**Investment in equity instruments of group companies at cost** | | |
| Himatsingka Wovens Private Limited<br>equity shares of ₹ 100 each fully paid up<br>[No. of shares: 1,750,000 (As at 31 March 2017: 1,750,000)] | 1,683.98 | 1,683.69 |
| Himatsingka Holdings North America, Inc.<br>equity shares of USD 10,000 each fully paid up<br>[No. of shares: 4,742 (As at 31 March 2017: 4,742)] | 21,345.72 | 21,209.73 |
| Twill & Oxford LLC<br>equity shares of AED 100 each fully paid up<br>[No. of shares: 1,470 (As at 31 March 2017: 1,470)] | 37.35 | 37.35 |
| Himatsingka Europe Limited (HEL)<br>equity shares of GBP 1 each fully paid up and Equity shares of Euro 1000 each fully paid up<br>[No.of shares: Euro 10,705 and GBP 1 (As at 31 March 2017: Euro - Nil and GBP 1)] | 7,498.17 | 47.21 |
| Himatsingka Energy Private Limited<br>equity shares of ₹ 10 each fully paid up<br>[No. of shares: 2,600 (As at 31 March 2017 : Nil)] | 0.26 | - |
| **Total** | **30,565.48** | **22,977.98** |

**Note 4A.1 :**

During the previous year, the Company incorporated a subsidiary viz. Himatsingka Europe Limited, registered in the United Kingdom. The Company as on 30 March 2017 transferred the investment in Giuseppe Bellora S.r.l to this subsidiary, at the fair value determined on the date of such transfer, as a part of its Group restructuring. The difference in the carrying value and the fair value as at 30 March 2017 was taken to the statement of profit and loss, included in Note 26.

**Note 4A.2 :**

The above disclosed cost of investment includes a cummulative total of adjustments made in the nature of 'deemed equity' arising from accounting for the financial guarantees provided to loans taken by subsidiaries free of cost. The subsidiary wise value of deemed equity included in the carrying value is :

**(₹ Lacs)**

| Deemed Equity | As at 31 March 2018 | As at 31 March 2017 |
|---|---|---|
| Himatsingka Wovens Private Limited | 19.86 | 19.57 |
| Himatsingka Holdings North America, Inc. | 486.69 | 350.70 |
| Himatsingka Europe Limited (HEL) | 76.53 | 46.15 |
| **Total** | **583.08** | **416.42** |

**Note 4A.3 :**

The Company has invested in above subsidiaries to manage the retail and distribution business across the globe.

**4B : Current investments**

**(₹ Lacs)**

| Particulars | As at 31 March 2018 | As at 31 March 2017 |
|---|---|---|
| UTI banking & PSU debt fund direct plan growth (No of units:1,943,788.59 (As at 31 March 2017: nil)) | 277.73 | - |
| DHFL pramerica low duration fund - direct plan - growth (No of units: 8,634,683.80 (As at 31 March 2017: nil)) | 2,109.45 | - |
| Baroda pioneer treasury advantage fund - Plan B growth (No of units:106,957.11 (As at 31 March 2017: nil)) | 2,211.57 | - |
| Franklin India ultra short bond fund Super institutional plan direct - growth (No of units: 7,584,676.85 (As at 31 March 2017: nil)) | 1,831.01 | - |
| HDFC short term opportunities fund - direct plan growth option (No of units:13,802,317.68 (As at 31 March 2017: nil) | 2,667.08 | - |
| Reliance medium term fund direct growth plan (No of units:4,240,246.72 (As at 31 March 2017: nil)) | 1,577.47 | - |
| SBI savings fund direct plan growth (No of units:4,385,085.54 (As at 31 March 2017: nil)) | 1,218.81 | - |
| **Total** | **11,893.12** | **-** |
| Aggregate carrying amount of quoted investments | 11,893.12 | - |

**Note 5 : Loans**

**(₹ Lacs)**

| Particulars | As at 31 March 2018 | As at 31 March 2017 |
|---|---|---|
| **Non-current** | | |
| **Unsecured, considered good** | | |
| Loans to related parties (refer note 35) | 23,643.29 | 24,162.41 |
| Loans to employees | 140.18 | 99.89 |
| **Total** | **23,783.47** | **24,262.30** |
| **Current** | | |
| **Unsecured, considered good** | | |
| Loans to employees | 107.91 | 100.42 |
| **Total** | **107.91** | **100.42** |

**Note 5.1 :**

The loans to related parties represent inter-corporate deposits given to the wholly owned subsidiaries for growing business needs. These are provided at an interest rate of 8.5% p.a. These financial assets are carried at amortized cost. Additional information about these deposits have been set out in Note 37.

**Note 6 : Other financial assets**

**(₹ Lacs)**

| Particulars | As at 31 March 2018 | As at 31 March 2017 |
|---|---|---|
| **Non-current** | | |
| **Unsecured, considered good** | | |
| Security deposits | 981.20 | 990.09 |
| Bank deposits | 456.69 | - |
| (due to mature after 12 months from the reporting date) | | |
| **Total** | **1,437.89** | **990.09** |
| **Current** | | |
| **a) Unsecured, considered good** | | |
| Security deposits | 132.44 | 37.91 |
| Receivable from Himatsingka Europe Limited | - | 7,069.21 |
| Interest subsidy receivable | 2,064.69 | 1,476.44 |
| Subsidy receivable under various government schemes | 13,375.67 | 1,250.58 |
| Interest receivable (refer note 6.1 below) | 3,493.63 | 1,903.52 |
| **b) Derivative assets** | 1,015.51 | 5,468.35 |
| **Total** | **20,081.94** | **17,206.01** |

**Note 6.1 : Includes interest due from subsidiaries**

**(₹ Lacs)**

| | | |
|---|---|---|
| Himatsingka Wovens Private Limited | 340.41 | 233.54 |
| Himatsingka Holdings North America, Inc. | 2,951.44 | 1,437.07 |
| Twill & Oxford LLC (T&O) | 3.31 | - |
| **Total** | **3,295.16** | **1,670.61** |

**Note 7: Tax assets and liabilities**

**(₹ Lacs)**

| Particulars | As at 31 March 2018 | As at 31 March 2017 |
|---|---|---|
| **Note 7A : Income tax assets and liabilities** | | |
| **Non-current Income Tax Assets** | | |
| Income tax payments made against returns filed / demands received for earlier years | 13,763.23 | 6,515.20 |
| Less: Provisions made in prior years | (12,926.67) | (5,885.32) |
| **Tax refund receivable (net)** | **836.56** | **629.88** |
| **Current tax liabilities** | | |
| Income tax payable | 7,265.96 | 7,581.65 |
| Less: Advance tax and taxes deducted at source | (4,265.40) | (6,564.65) |
| **Tax payable (net)** | **3,000.56** | **1,017.00** |

**Note 7B : Deferred tax liabilities (net)***

The following is the analysis of the net deferred tax asset/(liability) position as presented in the financial statements **(₹ Lacs)**

| Particulars | As at 31 March 2018 | As at 31 March 2017 |
|---|---|---|
| **Deferred tax liabilities** | | |
| Property, plant and equipments and intangible assets | 14,655.36 | 10,906.00 |
| Fair value impact on investment in subsidiaries | 151.33 | - |
| Cash flow hedge | 208.23 | 1,636.30 |
| **Total deferred tax liabilities (A)** | **15,014.92** | **12,542.30** |
| **Deferred tax assets** | | |
| Provision for gratuity and compensated absences | 417.77 | 280.43 |
| MAT credit entitlement | 13,376.69 | 11,764.29 |
| Others | 427.02 | 676.26 |
| **Total deferred tax assets (B)** | **14,221.48** | **12,720.98** |
| **Net deferred tax liability / (asset) (A - B)** | **793.44** | **(178.68)** |
| *refer note 32 | | |

**Note 8 : Other assets** **(₹ Lacs)**

| Particulars | As at 31 March 2018 | As at 31 March 2017 |
|---|---|---|
| **Non-current** | | |
| Capital advances | 5,021.73 | 13,706.27 |
| Prepayments | - | 1,008.51 |
| Deferred employee benefit | 7.45 | 31.15 |
| **Total** | **5,029.18** | **14,745.93** |
| **Current** | | |
| Advances to suppliers | | |
| - Others | 1,601.75 | 279.37 |
| - Related parties (refer note 35) | 361.92 | 328.55 |
| Balances with government authorities (other than income taxes) | 9,110.56 | 1,735.05 |
| Prepayments | 548.36 | 582.97 |
| Deferred employee benefit | 2.89 | 7.70 |
| Deferred rent | 18.20 | 27.18 |
| Subsidy receivable under various government schemes | 5,243.23 | 1,654.22 |
| **Total** | **16,886.91** | **4,615.04** |

**Note 9 : Inventories (Valued at lower of cost and net realizable value)** **(₹ Lacs)**

| Particulars | As at 31 March 2018 | As at 31 March 2017 |
|---|---|---|
| Raw materials | 7,971.01 | 5,623.50 |
| Work-in-progress | 12,037.62 | 14,209.71 |
| Finished goods | 6,381.59 | 4,138.35 |
| Traded goods | 1,024.34 | - |
| Stores and spares | 1,784.71 | 1,951.69 |
| **Total** | **29,199.27** | **25,923.25** |
| **Included above, goods-in-transit:** | | |
| Raw materials | 3,211.66 | 1,363.50 |
| Finished goods | 575.75 | 543.01 |
| Traded goods | 934.74 | - |
| **Total** | **4,722.15** | **1,906.51** |

**Note 10 : Trade receivables** **(₹ Lacs)**

| Particulars | As at 31 March 2018 | As at 31 March 2017 |
|---|---|---|
| Unsecured, considered good | 40,816.05 | 34,169.60 |
| Less: Allowance for doubtful debts | (30.00) | (107.43) |
| **Net trade receivables** | **40,786.05** | **34,062.17** |

All trade receivables are 'current'.

**Note 10.1 : Transfer of financial assets**

During the year, the Company discounted trade receivables with an aggregate carrying amount of ₹ 67,107.79 lacs with a bank for cash proceeds of ₹ 63,374.98 lacs. If the trade receivables are not paid at maturity, the Bank has the right to request the Company to pay the unsettled balance. As the Company has not transferred the significant risks and rewards relating to these trade receivables, it continues to recognize the full carrying amount of the receivables and has recognized the cash received on the transfer as secured borrowing, and recorded the differential as interest cost.

At the end of the reporting period, the carrying amount of the trade receivables that have been transferred but have not been derecognized amounted to ₹ 19,949.02 lacs and the carrying amount of the associated liability is ₹ 18,857.56 lacs. (refer note No. 17)

**Note 10.2 : Details of Trade Receivables**

Of the above, trade receivables from related parties are as below: **(₹ Lacs)**

| Particulars | As at 31 March 2018 | As at 31 March 2017 |
|---|---|---|
| Trade receivables from related parties (refer note 35) | 31,813.63 | 31,444.55 |
| Loss allowance | - | - |
| **Total** | **31,813.63** | **31,444.55** |

The Company's exposure to credit and currency risks related to trade receivables are disclosed in note 34.

**Note 10.3 :Expected credit loss assessment for Trade Recievables as at 31 March 2017 and 31 March 2018 are as follows:**

The Company establishes an allowance for credit loss that respresents its estimate of expected losses in respect of trade and other receivables based on past and the recent collection trend. The maximum exposure to credit risk as at reporting date is primarily from trade receivables as at 31 March 2018 amounting to ₹ 40,786.05 lacs (31 March 2017: ₹ 34,062.17 lacs). The movement in allowance for credit loss in respect of trade and other receivables during the year was as follows - **(₹ Lacs)**

| Particulars | As at 31 March 2018 | As at 31 March 2017 |
|---|---|---|
| Balance as at beginning of the year | (107.43) | - |
| Net measurement of loss allowance | 77.43 | (107.43) |
| **Balance as at end of the year** | **(30.00)** | **(107.43)** |

There is no significant movement in the impairment loss allowance during 2017-18.

**Note 11: Cash and cash equivalents** **(₹ Lacs)**

| Particulars | As at 31 March 2018 | As at 31 March 2017 |
|---|---|---|
| Cash in hand | 10.97 | 21.00 |
| Balance with Banks in current accounts and deposits | | |
| - in current accounts | 7,423.59 | 3,096.07 |
| - in deposit accounts (with original maturity of less than 3 months) | - | - |
| | **7,434.56** | **3,117.07** |
| Other bank balances (Refer Note 11.1) | 46.37 | 22.63 |
| In deposit account (more than 3 months but less than 12 months) (Refer Note 11.2) | 2,438.63 | 12,398.83 |
| | **2,485.00** | **12,421.46** |
| **Total** | **9,919.56** | **15.538.53** |

**Note 11.1 :** Other bank balances represent earmarked balances in respect of unpaid dividends and dividend payable.
**Notes 11.2 :** The deposits maintained by the Company with banks comprise of time deposits, which can be withdrawn by the Company at any point without prior notice or penalty on the principal.

**Note 12 : Equity share capital**

**(₹ Lacs)**

| Particulars | As at 31 March 2018 | As at 31 March 2017 |
|---|---|---|
| **Authorised** | | |
| 134,000,000 equity shares (31 March 2017: 134,000,000 equity shares) of par value of ₹ 5 each | 6,700.00 | 6,700.00 |
| **Issued** | | |
| 98,496,160 equity shares (31 March 2017: 98,496,160 equity shares) of par value of ₹ 5 each | 4,924.81 | 4,924.81 |
| **Subscribed and fully paid-up** | | |
| 98,457,160 equity shares (31 March 2017: 98,457,160 equity shares) of par value of ₹ 5 each | 4,922.86 | 4,922.86 |
| | **4,922.86** | **4,922.86** |

**Reconciliation of shares outstanding at the beginning and at the end of the reporting period**

| Particulars | As at 31 March 2018 | | As at 31 March 2017 | |
|---|---|---|---|---|
| | Number of shares | Amount (₹ in lacs) | Number of shares | Amount (₹ in lacs) |
| At the commencement of the year | 98,457,160 | 4,922.86 | 98,457,160 | 4,922.86 |
| At the end of the year | 98,457,160 | 4,922.86 | 98,457,160 | 4,922.86 |

**Rights, preferences and restrictions attached to equity shares:**

The Company has a single class of equity shares. Accordingly, all equity shares rank equally with regard to dividends and share in the Company's residual assets. The equity shares are entitled to receive dividend as declared from time to time. The voting rights of an equity shareholder on a poll (not on show of hands) are in proportion to its share of the paid-up equity capital of the Company.

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

The Company has not allotted any fully paid equity shares by way of bonus shares nor has bought back any class of equity shares during the period of five years immediately preceeding the balance sheet date nor has issued shares for consideration other than cash.

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

| Particulars | As at 31 March 2018 | | As at 31 March 2017 | |
|---|---|---|---|---|
| | Number of shares | % of holding | Number of shares | % of holding |
| **Equity shares of ₹ 5 each** | | | | |
| D K Himatsingka | 11,968,000 | 12% | 12,968,000 | 13% |
| Shrikant Himatsingka | 8,480,964 | 9% | 8,480,964 | 9% |
| Bihar Mercantile Union Limited | 7,926,000 | 8% | 5,706,000 | 6% |
| Rajshree Himatsingka | 5,897,260 | 6% | 7,257,260 | 7% |

**Note 13 : Other equity**

**(₹ Lacs)**

| Particulars | As at 31 March 2018 | As at 31 March 2017 |
|---|---|---|
| Capital reserve (refer note (i) below) | 620.88 | 620.88 |
| Securities premium account (refer note (ii) below) | 27,675.71 | 27,675.71 |
| General reserve (refer note (iii) below) | 17,270.17 | 16,870.17 |
| Debenture redemption reserve (refer note (iv) below) | - | 400.00 |
| Retained earnings (refer note (v) below) | 70,970.27 | 53,322.54 |
| **Reserves and surplus** | **116,537.03** | **98,889.30** |
| Cash flow hedge reserve | 440.39 | 3,091.80 |
| Remeasurement of net defined benefit liability or asset | (207.17) | (232.20) |
| **Other comprehensive income** | **233.22** | **2,859.60** |
| **Total** | **116,770.25** | **101,748.90** |

**Notes:**

(i) Any profit or loss on purchase, sale, issue or cancellation of the Company's own equity instruments is transferred to capital reserves.
(ii) Amounts received on issue of shares in excess of the par value has been classified as securities premium.
(iii) This represents appropriation of profit by the Company.
(iv) Reserves created from general reserve for redemption of non convertible debentures.
(v) Retained earnings comprises of the Company's undistributed earnings after taxes.

**(₹ Lacs)**

| Particulars | As at 31 March 2018 | As at 31 March 2017 |
|---|---|---|
| **Debenture redemption reserve** | | |
| Opening balance | 400.00 | 800.00 |
| Add / (Less): Transferred to general reserve | (400.00) | (400.00) |
| **Total** | **-** | **400.00** |
| **General reserve** | | |
| Opening balance | 16,870.17 | 16,470.17 |
| Add: Transferred from Debenture redemption reserve | 400.00 | 400.00 |
| **Total** | **17,270.17** | **16,870.17** |
| **Retained earnings** | | |
| Opening balance | 53,322.54 | 37,415.85 |
| Add: Profit for the year | 20,605.19 | 17,684.22 |
| Less: Payment of dividends, including dividend distribution tax | (2,957.46) | (1,777.53) |
| **Total** | **70,970.27** | **53,322.54** |
| **Effective Portion of cash flow hedge** | | |
| Opening balance | 3,091.80 | 826.47 |
| Gain / (loss) arising on changes in fair value of designated portion of hedging instruments entered into for cash flow hedges | 4,728.09 | 8,039.46 |
| Cumulative (gain) / loss arising on changes in fair value of designated portion of hedging instruments reclassified to profit or loss | (8,807.57) | (4,575.23) |
| Income tax related to net gains recognised in other comprehensive income | 1,428.07 | (1,198.90) |
| **Total** | **440.39** | **3,091.80** |
| **Remeasurement of net defined benefit liability or asset** | | |
| Opening Balance | (232.20) | (90.16) |
| Other Comprehensive Income for the Year, net of income tax | 25.03 | (142.04) |
| **Total** | **(207.17)** | **(232.20)** |

**Note 14: Non current borrowings**

**(₹ Lacs)**

| Particulars | As at 31 March 2018 | As at 31 March 2017 |
|---|---|---|
| **Secured loans: ( refer note 14.1)** | | |
| **Term loans** | | |
| - From banks | 57,156.09 | 36,527.54 |
| - From financial institution | 58,417.20 | 31,565.57 |
| **Total** | **115,573.29** | **68,093.11** |

**Note 14.1 : Details of non-current borrowings and current maturities of non-current borrowings** **(₹ Lacs)**

| Particulars | As at 31 March 2018 | | As at 31 March 2017 | | Nature of security | Repayment/ redemption / other terms |
|---|---|---|---|---|---|---|
| | Non-Current | Current | Non-Current | Current | | |
| **(i)Debentures (Unsecured)** | | | | | | |
| Non - convertible and redeemable debentures | - | - | - | 399.81 | Unsecured | Four equal annual installments commencing 2 years from the date of issue. The outstanding term as of 31 March 2018 was Nil |
| **Total** | **-** | **-** | **-** | **399.81** | | |
| **(ii) Term loans from bank (Secured)** | | | | | | |
| Loan 1 | - | - | 11,518.62 | 1,461.98 | Secured by charge over certain fixed assets and pledge of shares of wholly owned subsidiary. | The loan was completely repaid during the year. The outstanding term as of 31 March 2018 was NIL. |
| Loan 2 | 8,741.07 | 4,453.13 | 12,379.17 | 2,106.96 | First paripassu charge of certain immovable fixed assets. | 20 substantially equal quarterly installments commencing on 31 December 2016. The outstanding term as of 31 March 2018 was 13 installments. |
| Loan 3 | 17,231.87 | 304.27 | 4,308.05 | - | First paripassu charge on entire moveable and immoveable fixed assets of the Hassan and Doddaballapur plant including proposed project assets present and future. | Loan shall be repaid in 39 structured quarterly installments commencing after a moratorium of 12 months from the Scheduled Commercial Operation date (or) actual Commercial Operation date. The outstanding term as of 31 March 2018 was 39 installments. |
| Loan 4 | 8,367.79 | - | 8,321.70 | - | First paripassu charge on Midford Garden property & Vittal Maliya Road property. | In 3 Yearly installments after initial moratorium of 4 years (yearly % of repayment 25%, 35% & 40%) The outstanding term as of 31 March 2018 was 3 installments. |
| Loan 5 | 3,639.09 | - | - | - | First paripassu charge on entire moveable and immoveable fixed assets of the Hassan and Doddaballapur plant including proposed project assets present and future. | Loan shall be repaid in 39 structured quarterly installments commencing from 31 December 2020 The outstanding term as of 31 March 2018 was 39 installments. |
| Loan 6 | 5,941.03 | 500.00 | - | - | First paripassu charge on entire moveable and immoveable fixed assets of the Hassan and Doddaballapur plant including proposed project assets present and future. | Loan shall be repaid in 16 structured quarterly installments commencing from 31 March 2019. The outstanding term as of 31 March 2018 was 16 installments. |
| Loan 7 | 13,235.24 | - | - | - | First paripassu charge on entire moveable and immoveable fixed assets of the Hassan and Doddaballapur plant including proposed project assets present and future. | In 3 Yearly installments after initial moratorium of 4 years (yearly % of repayment 25%, 35% & 40%) The outstanding term as of 31 March 2018 was 3 installments. |
| **Total** | **57,156.09** | **5,257.40** | **36,527.54** | **3,568.94** | | |

The rate of interest on the above term loans is in the range of 4.80% to 9.95% ( Previous Year: 4.65% to 10.25% ).
Interest on these term loans is eligible for government subsidies.

NOTES TO THE STANDALONE IND AS FINANCIAL STATEMENTS

**Note 14.1 : Details of non-current borrowings and current maturities of non-current borrowings**

**(₹ Lacs)**

| Particulars | As at 31 March 2018 | | As at 31 March 2017 | | Nature of security | Repayment/ redemption / other terms |
|---|---|---|---|---|---|---|
| | Non-Current | Current | Non-Current | Current | | |
| **(iii) Term loans from financial institutions (Secured)** | | | | | | |
| Loan 1 | 469.35 | 375.80 | 845.20 | 313.67 | Secured by charge over certain moveable and immovable fixed assets, both present and future. | 33 Quarterly installments commencing 2 years from the date of first disbursement. The outstanding term as of 31 March 2018 was 9 installments. |
| Loan 2 | 1,174.10 | 250.00 | 1,424.15 | 245.56 | First paripassu charge on entire moveable and immoveable fixed assets of the Hassan and Doddaballapur plant including proposed project assets present and future. | 32 equal quarterly installments commencing after a moratorium of 1 year from the date of Commencement of Commercial Operation (COD). The outstanding term as of 31 March 2018 was 23 installments. |
| Loan 3 | 1,918.58 | 357.14 | 2,360.45 | - | First paripassu charge on entire moveable and immoveable fixed assets of the Hassan and Doddaballapur plant including proposed project assets present and future. | 28 substantially equal quarterly installments commencing after a moratorium of 2 years from Scheduled Commercial Operation Date (SCOD) or Actual Commercial Operation Date (COD). The outstanding term as of 31 March 2018 was 27 installments. |
| Loan 4 | 16,462.74 | 923.08 | 16,843.48 | 441.93 | First paripassu charge on entire moveable and immoveable fixed assets of the Hassan and Doddaballapur plant including proposed project assets present and future. | 39 substantially equal quarterly installments commencing after a moratorium of 1 year from Scheduled Commercial Operation Date (SCOD) or Actual Commercial Operation Date (COD) which ever is earlier. The outstanding term as of 31 March 2018 was 37 installments . |
| Loan 5 | 31,330.33 | 1,712.82 | 7,427.10 | 444.31 | First paripassu charge on entire moveable and immoveable fixed assets of the Hassan and Doddaballapur plant including proposed project assets present and future. | Loan shall be repaid in 39 structured quarterly installments commencing after a moratorium of 12 months from the Scheduled Commercial Operation date (or) actual Commercial Operation date which ever is earlier. The outstanding term as of 31 March 2018 was 39 installments. |
| Loan 6 | 7,062.10 | - | 2,665.19 | - | First paripassu charge on entire moveable and immoveable fixed assets of the Hassan and Doddaballapur plant including proposed project assets present and future. | Loan shall be repaid in 40 structured quarterly installments commencing after a moratorium of 2 years from the date of first disbursement. The outstanding term as of 31 March 2018 was 40 installments. |
| **Total** | **58,417.20** | **3,618.84** | **31,565.57** | **1,445.47** | | |

The rate of interest on the above term loans is in the range of 9.95% to 11.05% ( Previous year 10.2% to 11.55% ).

Interest on these term loans is eligible for government subsidies.

**Note 15: Provisions** **(₹ Lacs)**

| Particulars | As at 31 March 2018 | As at 31 March 2017 |
|---|---|---|
| **Non-current** | | |
| Provision for gratuity (Refer Note 15.1) | 1,207.13 | 1,027.51 |
| Provision for compensated absences | 150.90 | 342.24 |
| **Total** | **1,358.03** | **1,369.75** |
| **Current** | | |
| Provision for compensated absences | 339.03 | 152.72 |
| **Total** | **339.03** | **152.72** |

**Note 15.1 : Employee benefit**

The Company operates the following post-employment defined benefit plan.

**Defined benefit plan**

The Company operates post-employment defined benefit plan that provide gratuity, governed by the Payment of Gratuity Act,1972. Employees who are in continuous service for a period of 5 years are eligible for gratuity. The amount of gratuity payable on retirement/ termination is the employees last drawn basic salary per month computed proportionately for 15 days salary multiplied for the number of years of service or part thereof in excess of six months. The gratuity plan is a funded plan.

These defined benefit plans expose the Company to actuarial risks, such as longevity risk, currency risk, interest rate risk and market (investment) risk.

**(A) Funding**

The Company's gratuity scheme for employees is administered through a trust with the ICICI Prudential Life Insurance. The funding requirements are based on the gratuity fund's actuarial measurement framework set out in the funding policies of the plan. The funding is based on a separate actuarial valuation for funding purposes for which the assumptions may differ from the assumptions set out in (E). Employees do not contribute to the plan.

The Company expects to pay ₹ 1,343.65 lacs in contributions to its defined benefit plans in 2018-19.

**(B) Reconciliation of net defined benefit liability**

The following table shows a reconciliation from the opening balances to the closing balances for the net defined benefit liability/ assets and its components:

**Reconciliation of present value of defined benefit obligation.** **(₹ Lacs)**

| Particulars | As at 31 March 2018 | As at 31 March 2017 |
|---|---|---|
| Obligation at the beginning of the year | 1,629.16 | 1,366.39 |
| Interest cost | 109.08 | 103.09 |
| Current service cost | 149.10 | 122.18 |
| Benefits paid | (138.52) | (130.01) |
| Actuarial (Gains)/Losses on Obligations recognised in Other Comprehensive Income (OCI) | - | - |
| - Changes in financial assumptions | (60.79) | 89.45 |
| - Experience adjustments | 27.39 | 78.06 |
| **Obligation at the end of the year** | **1,715.42** | **1,629.16** |
| **Reconciliation of present value of plan assets** | | |
| Plan assets at the beginning of the year, at fair value | 601.65 | 645.36 |
| Interest income on plan assets | 40.29 | 48.70 |
| Contributions | - | 50.00 |
| Benefits paid | (138.52) | (92.71) |
| Return on plan assets, excluding interest income recognised in OCI | 4.87 | (49.70) |
| **Plan assets at the end of the year, at fair value** | **508.29** | **601.65** |
| **Net defined benefit liability** | **1,207.13** | **1,027.51** |

**(C) (i) Expense recognised in the Statement of profit or loss**

**(₹ Lacs)**

| Particulars | For the year ended | |
|---|---|---|
| | 31 March 2018 | 31 March 2017 |
| Current service cost | 149.10 | 122.18 |
| Interest cost | 109.08 | 103.09 |
| Interest income | (40.29) | (48.70) |
| **Net gratuity cost** | **217.90** | **176.57** |

**(ii) Remeasurement recognised in other comprehensive income**

**(₹ Lacs)**

| Particulars | For the year ended | |
|---|---|---|
| | 31 March 2018 | 31 March 2017 |
| Actuarial (gain) / loss on defined benefit obligation | (33.40) | 167.51 |
| Return on plan assets, excluding interest income | (4.87) | 49.70 |
| **Total (gain) / loss recognised in other comprehensive income** | **(38.27)** | **217.21** |

**(D) Plan assets**

**(₹ Lacs)**

| Particulars | As at 31 March 2018 | As at 31 March 2017 |
|---|---|---|
| Insurance fund | 508.29 | 601.65 |
| **Total** | **508.29** | **601.65** |

**(E) Defined benefit obligation**

**(i) Actuarial assumptions**

| Particulars | For the year ended | |
|---|---|---|
| | 31 March 2018 | 31 March 2017 |
| Discount rate | 7.25% | 6.70% |
| Future salary growth | 6.00% | 6.00% |
| Mortality [IALM 06-08] | 100.00% | 100.00% |
| Attrition rate | 2 - 40% | 2 - 40% |
| Weighted average duration of defined benefit obigation (in years) | 6 | 7 |
| Retirement age (in years) | 58 | 58 |

**Notes:**

(i) The discount rate is based on the prevailing market yield on high quality corporate bonds as at the balance sheet date for the estimated term of obligations.

(ii) The expected return on plan assets is determined considering several applicable factors mainly the composition of the plan assets held, assessed risks of asset management, historical results of the return on plan assets and the Company's policy for plan asset management.

(iii) The estimate of future salary increases considered in actuarial valuation takes into account inflation, seniority, promotion and other relevant factors such as supply and demand in the employment market.

**(ii) Sensitivity Analysis**

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

**(₹ Lacs)**

| Particulars | As at 31 March 2018 | As at 31 March 2017 |
|---|---|---|
| Projected Benefit Obligation on Current Assumptions | 1,715 | 1,629 |
| Impact of change in discount rate by +1% | 1,614 | 1,525 |
| Impact of change in discount rate by -1% | 1,830 | 1,748 |
| Impact of change in salary growth rate by +1% | 1,830 | 1,748 |
| Impact of change in salary growth rate by -1% | 1,612 | 1,523 |
| Impact of change in attrition rate by +50% | 1,692 | 1,604 |
| Impact of change in attrition rate by -50% | 1,759 | 1,676 |
| Impact of change in mortality rate by +10% | 1,719 | 1,632 |
| Impact of change in mortality rate by -10% | 1,712 | 1,627 |

**Defined contribution plans:**

The Company's contribution to Provident Fund aggregating to ₹ 451.91 lacs (31 March 2017: ₹ 562.62 lacs) and contribution to superannuation fund aggregating to ₹ 10.86 lacs (31 March 2017: ₹ 14.51 lacs) has been recognised in the Statement of Profit and Loss under the head employee benefit expense.

**(i) Actuarial assumptions**

**(₹ Lacs)**

| Particulars | For the year ended | |
|---|---|---|
| | 31 March 2018 | 31 March 2017 |
| Provident fund | 451.91 | 562.62 |
| Superannuation fund | 10.86 | 14.51 |

**Note 16: Other liabilities**

**(₹ Lacs)**

| Particulars | As at 31 March 2018 | As at 31 March 2017 |
|---|---|---|
| **Non-current** | | |
| Deferred revenue arising from government grant (refer note 16.1 below) | 22,724.72 | 5,524.01 |
| **Total** | **22,724.72** | **5,524.01** |
| **Current** | | |
| Deferred revenue arising from government grant (refer note 16.1 below) | 2,226.10 | 1,941.22 |
| Advances received from customers | 340.41 | 105.13 |
| Statutory liabilities | 329.64 | 200.69 |
| Unpaid dividend | 64.91 | 22.63 |
| Advance from related parties (refer note 35) | 8.95 | 173.84 |
| **Total** | **2,970.01** | **2,443.51** |

**Note 16.1 : Deferred revenue arising from government grant**

The Company has received government grants in the form of import duty exemption and subsidy on purchase of capital goods and purchase of raw materials to be used for production of goods for exports, based on the terms of the respective schemes. The Company recognises such grants in statement of profit or loss on a systematic basis over the period in which the related expenses (the related costs for which the grants are intended to compensate) are incurred and charged to the income statement. The Company has presented such amortisation of deferred income as a deduction from the related expenses.

**Note 17: Current borrowings**

**(₹ Lacs)**

| Particulars | As at 31 March 2018 | As at 31 March 2017 |
|---|---|---|
| **Secured borrowings** | | |
| **Loans repayable on demand** | | |
| From banks (refer note 17.1 and 17.2 below) | 45,314.81 | 28,434.41 |
| Bill discounting | 18,857.56 | 14,637.79 |
| **Total** | **64,172.37** | **43,072.20** |

**Note 17.1:** The weighted average effective interest rate on the bank loans is 5.51 % per annum (6.91% as at 31 March 2017).

**Note 17.2:** Working capital limits are secured against present and future inventory and trade receivables on pari-passu basis.

Information about the Company's exposure to interest rate, currency and liquidity risk are disclosed in note 34.

**Note 18: Trade payables**

**(₹ Lacs)**

| Particulars | As at 31 March 2018 | As at 31 March 2017 |
|---|---|---|
| Trade payables (refer note 18.1 and 35) | 19,860.61 | 13,885.35 |
| **Total** | **19,860.61** | **13,885.35** |

All trade payables are current.

The Company's exposure to currency and liquidity risk are disclosed in note 34.

**Note 18.1 : Disclosures required under Section 22 of the Micro, Small and Medium Enterprises Development Act, 2006**

**(₹ Lacs)**

| | | |
|---|---|---|
| Information related to micro, small and medium enterprises | | |
| (i) Principal amount remaining unpaid to any supplier as at the end of the accounting year | 550.22 | 685.22 |
| (ii) Interest due thereon remaining unpaid to any supplier as at the end of the accounting year | - | - |
| (iii) The amount of interest paid along with the amounts of the payment made to the supplier beyond the appointed day | 686.31 | 148.47 |
| (iv) The amount of interest due and payable for the year | 21.74 | 1.09 |
| (v) The amount of interest accrued and remaining unpaid at the end of the accounting year | 1.27 | 1.09 |
| (vi) The amount of further interest due and payable even in the succeeding year, until such date when the interest dues as above are actually paid | - | - |

**Note 19 : Other financial liabilities**

**(₹ Lacs)**

| Particulars | As at 31 March 2018 | As at 31 March 2017 |
|---|---|---|
| Current maturities of non-current borrowing (refer note 14.1) | 8,876.24 | 5,414.22 |
| Interest accrued but not due on borrowings | 485.72 | 437.80 |
| Capital creditors | 2,326.33 | 1,998.70 |
| Retention money | 1,067.52 | - |
| Employee related liabilities | 803.62 | 742.67 |
| Derivative liability | 416.51 | 740.26 |
| **Total** | **13,975.94** | **9,333.65** |

The Company's exposure to currency and liquidity risk are disclosed in note 34.

**Note 20 : Revenue from operations**

**(₹ Lacs)**

| Particulars | For the year ended 31 March 2018 | For the year ended 31 March 2017 |
|---|---|---|
| Revenue from sale of goods | 147,176.95 | 131,364.41 |
| Other operating revenues (refer note 20.1 below) | 13,625.57 | 8,442.61 |
| **Total revenue from operations** | **160,802.52** | **139,807.02** |
| **Note 20.1 : Other operating revenue comprises :** | | |
| Sale of power | - | 407.66 |
| Sale of waste and scrap (refer note 20.2 below) | 1,382.96 | 1,157.65 |
| Income under government incentive schemes | 12,192.86 | 6,877.30 |
| Miscellaneous income | 49.75 | - |
| **Total** | **13,625.57** | **8,442.61** |
| **Note 20.2** | | |
| Scrap sales includes sale of ₹ Nil out of the trial production during the year. ( Previous year : ₹ 212.68 lacs) | | |

**Note 21: Other income**

**(₹ Lacs)**

| Particulars | For the year ended 31 March 2018 | For the year ended 31 March 2017 |
|---|---|---|
| **a. Interest income** | | |
| Interest from bank deposits | 60.57 | 120.11 |
| Interest on inter company deposits (refer note 35) | 2,000.33 | 2,126.64 |
| Interest on electricity deposits | 3.75 | 50.92 |
| Interest income earned on financial assets that are not designated as at fair value through profit or loss (refer note 21.1) | 41.59 | 49.78 |
| | **2,106.24** | **2,347.45** |
| **b. Other non-operating income (net of expenses directly attributable to such Income)** | | |
| Operating lease rental income | 43.37 | 38.83 |
| Shared service income (refer note 35) | - | 153.99 |
| Income on financial guarantee contracts (refer note 4A.2) | 166.66 | 153.14 |
| Provision no longer required written back | - | 362.10 |
| Miscellaneous income | 25.22 | 24.24 |
| | **235.25** | **732.30** |
| **c. Other gains and losses** | | |
| Profit on sale of current investments | 261.47 | 667.79 |
| Gain on current investments carried at fair value through profit or loss | 655.96 | - |
| Net gain on disposal of property, plant and equipment | - | 257.15 |
| Net foreign exchange gains | 292.47 | 187.67 |
| | **1,209.90** | **1,112.61** |
| **Total** | **3,551.39** | **4,192.36** |

**Note 21.1**

The interest income earned on financial assets that are not designated as at fair value through profit or loss pertains to interest income earned on account of discounting of the rental deposits.

**Note 22: Cost of materials consumed and purchases of stock in trade**

**(₹ Lacs)**

| Particulars | For the year ended 31 March 2018 | For the year ended 31 March 2017 |
|---|---|---|
| A. Raw material consumed (refer note 22.1 below) | 78,913.68 | 84,682.51 |
| B. Purchase of stock-in-trade | 9,289.80 | 3,638.47 |
| **C. Changes in inventories of finished goods, work-in-progress and stock-in-trade** | | |
| **Opening stock** | | |
| - Work in progress | 14,209.71 | 8,223.60 |
| - Finished goods | 4,138.35 | 3,242.46 |
| **Closing stock :** | | |
| - Work in progress | 12,037.62 | 14,209.71 |
| - Finished goods | 6,381.59 | 4,138.35 |
| - Traded goods | 1,024.34 | - |
| **Net (increase) / decrease in inventories of finished goods, work-in-progress and stock-in-trade** | **(1,095.49)** | **(6,882.00)** |

**Note 22.1**

The Raw material and packing material consumed in current year is net off ₹ 4,597.32 lacs capitalised for trial production [Previous year : ₹ 1,078.78 lacs] (refer note 30).

**Note 23 : Employee benefits expense**

**(₹ Lacs)**

| Particulars | For the year ended 31 March 2018 | For the year ended 31 March 2017 |
|---|---|---|
| Salaries, wages and bonus | 12,256.07 | 10,067.86 |
| Contribution to provident and other funds (refer note 15.1) | 576.75 | 577.13 |
| Expenses related to post-employment defined benefit plans - gratuity | 217.90 | 176.57 |
| Expenses related to compensated absence | 164.93 | 157.10 |
| Workmen and staff welfare expenses | 1,850.57 | 1,285.12 |
| Less: Expenses capitalised (refer note 30) | (1,300.90) | (759.53) |
| **Total** | **13,765.32** | **11,504.25** |

**Note 24 : Finance cost**

**(₹ Lacs)**

| Particulars | For the year ended 31 March 2018 | For the year ended 31 March 2017 |
|---|---|---|
| Interest expense on : | | |
| a. On financial liability at amortised cost | | |
| interest on term loan [net of subsidy ₹ 2,657.26 lacs (previous year: ₹ 803.66 lacs )] (refer note 14.1) | 6,772.17 | 4,641.55 |
| Interest on non-convertible debentures (refer note 14.1) | 18.50 | 63.15 |
| Interest on working capital loans (refer note 17.1) | 2,952.44 | 1,834.59 |
| b. Interest on delayed payment of income taxes | 245.00 | 314.00 |
| c. Other borrowing costs | 382.22 | 642.95 |
| Exchange differences regarded as an adjustment to borrowing costs | 53.89 | - |
| | **10,424.22** | **7,496.24** |
| Less: Amounts capitalised as the cost of qualifying assets (refer note 30) | (3,319.25) | (1,130.79) |
| **Total** | **7,104.97** | **6,365.45** |

**Note 25 : Depreciation and Amortisation Expense** **(₹ Lacs)**

| Particulars | For the year ended 31 March 2018 | For the year ended 31 March 2017 |
|---|---|---|
| Depreciation of property , plant and equipment (refer note 3.1) | 6,160.68 | 4,604.07 |
| Amortization of intangible assets (refer note 3.2) | 174.88 | 202.88 |
| Less: Amortization of deferred income on government grants (refer note 16.1) | (806.55) | (507.17) |
| **Total** | **5,529.01** | **4,299.78** |

**Note 26 : Other expenses** **(₹ Lacs)**

| Particulars | For the year ended 31 March 2018 | For the year ended 31 March 2017 |
|---|---|---|
| Consumption of stores and spare parts | 1,292.45 | 1,175.67 |
| Power and fuel | 8,578.57 | 5,046.34 |
| Job work charges | 420.74 | 75.58 |
| Manufacturing expenses- others | 623.00 | 579.08 |
| Rent (refer note 29) | 661.77 | 506.99 |
| Travelling and conveyance expenses | 1,437.22 | 1,124.40 |
| Communication expenses | 197.76 | 156.45 |
| Printing and stationery | 100.27 | 49.31 |
| Insurance | 265.18 | 188.96 |
| Repairs and maintenance | | |
| - plant and machinery | 415.88 | 439.23 |
| - buildings | 143.62 | 136.23 |
| - others | 242.82 | 129.40 |
| Rates and taxes | 105.06 | 99.05 |
| Professional and consultancy charges (refer note 26.1 below) | 1,167.34 | 1,457.82 |
| Bank charges | 118.01 | 109.18 |
| Expenditure on corporate social responsibilty (CSR) (refer note 26.2 below) | 61.83 | 68.97 |
| Amounts contributed to political parties | - | 150.00 |
| Contribution and donation | 3.37 | 7.25 |
| Advertisement and publicity | 490.37 | 28.94 |
| Selling and distribution | | |
| - Commission on sales | 38.20 | 67.86 |
| - Selling expenses | 260.17 | 80.33 |
| - Freight outward, net of reimbursement | 2,299.07 | 1,233.49 |
| Loss allowance on financial assets, net | 30.00 | - |
| Loss on sale of property, plant and equipment, net | 16.13 | - |
| Royalty | 34.09 | 11.18 |
| Loss on disposal of subsidiary (refer note 4A.1) | - | 269.50 |
| Security charges | 424.48 | 310.88 |
| Contract labour charges | 4,133.79 | 2,792.53 |
| Other expenses | 421.65 | 666.08 |
| Less: expenses capitalised (refer note 30) | (2,496.36) | (1,059.46) |
| **Total** | **21,486.48** | **15,901.24** |

**Note 26.1 : Payments to auditors**

**(₹ Lacs)**

| Particulars | For the year ended 31 March 2018 | For the year ended 31 March 2017 |
|---|---|---|
| For audit | 52.64 | 42.00 |
| For tax audit matters | 4.00 | 4.00 |
| For other services | 23.25 | 1.24 |
| For reimbursement of expenses | 0.49 | 0.02 |
| Service tax | 7.05 | 7.02 |
| **Total** | **87.43** | **54.28** |

**Note 26.2 : Corporate Social Responsibility**

The Company has spent ₹ 61.83 lacs (2016-17: ₹ 68.97 lacs) towards various schemes of Corporate Social Responsibility as prescribed under Section 135 of the Companies Act, 2013. The details are:

a. Gross amount required to be spent by the Company during the year: ₹ 356.57 lacs (2016-17: ₹ 250.32 lacs)

b. Amount spent during the year on:

**(₹ Lacs)**

| Particulars | For the year ended 31 March 2018 | For the year ended 31 March 2017 |
|---|---|---|
| i) Construction/acquisition of any asset | - | - |
| ii) For purposes other than (i) above | 61.83 | 68.97 |
| **Total** | **61.83** | **68.97** |

**Note 27 : Commitments**

**(₹ Lacs)**

| Particulars | For the year ended 31 March 2018 | For the year ended 31 March 2017 |
|---|---|---|
| Estimated amount of contracts remaining to be executed on capital account (net of advances) and not provided for | 15,108.19 | 39,995.48 |
| **Other commitments** :<br>The Company has imported capital goods under the Export Promotion Capital Goods (EPCG) scheme and Advance Authorisation to utlise the benefit of a zero or concessional customs duty rate. These benefits are subject to future exports within the stipulated period. Such export obligations at year end aggregate to ₹ | | |
| Export Promotion Capital Goods (EPCG) Scheme | 44,195.66 | 24,125.47 |

**Note 28 : Contingent liabilities**

**(₹ Lacs)**

| Particulars | As at 31 March 2018 | As at 31 March 2017 |
|---|---|---|
| **(a) Claims against Company not acknowledged as debt** | | |
| **Taxation Matters (refer note 28.1)** | | |
| - Income tax matters (refer note 28.2) | 492.77 | 1,081.24 |
| - Custom, Service tax and Excise duty related matter (excludes penalties, if any) (refer note 28.3) | 746.21 | 400.32 |
| - Others (relating to miscellaneous claims and bonus) | 212.00 | 212.00 |
| | **1,450.98** | **1,693.56** |
| **(b) Corporate guarantee given towards credit facilities on behalf of subsidiaries** | | |
| - Financial institutions | 13,000.00 | 12,969.00 |
| - Banks | 7,996.23 | 7,385.56 |
| - Others | 13,416.55 | 415.57 |
| | **34,412.78** | **20,770.13** |
| **Total** | **35,863.76** | **22,463.69** |

**Note 28.1 :** The above amounts have been arrived at based on the notice of demand or the assessment orders, as the case may be, and the Company is contesting these claims with the respective authorities. Outflows including interest and other consequential payments, if any, arising out of these claims would depend on the outcome of the decisions of the appellate authorities and the Company's rights for future appeals before the judiciary. The Company doesn't expect any reimbursements in respect of the above contingent liabilities.

**Note 28.2 :** These claims relate to demands resulting from disallowances of deductions claimed and other adjustments, which are being contested by the Company. These cases are pending at various forums with respective authorities. Outflows, if any, arising out of the claims would depend upon the outcome of the decision of the appellate authority and the Company's right for future appeals before judiciary. The Company doesn't expect any reimbursements in respect of the above contingent liabilities.

**Note 28.3 :** These claims relate to demands arising from difference pertaining to transfer price assessed in terms of Customs Valuation Rules, 1988.

**Note 29 : Operating leases**

**a. As Lessor :**

The Company has entered into operating lease arrangements for a portion of its building premises. The details are as follows :

**(₹ Lacs)**

| Particulars | For the year ended 31 March 2018 | For the year ended 31 March 2017 |
|---|---|---|
| Gross Carrying Amount | 26.09 | 26.09 |
| Accumulated Depreciation | (5.27) | (3.50) |
| Depreciation recognised in the statement of profit and loss | 1.77 | 1.77 |

Rental income earned by the Company from the above mentioned building premises are set out in Note - 21 (b).

**b. As Lessee :**

The Company has taken office premises, accommodations and vehicles under operating lease (cancellable lease). Such leases are generally with the option of renewal against increased rent and premature termination. Lease payments are renegotiated at the time of renewal.

Lease rental expense under cancellable operating leases during the year was ₹ 280.59 lacs (previous year: ₹ 183.32 lacs).

The Company is obligated under non-cancelable operating leases for land, building and plant and machinery. Lease rental expense under non-cancellable operating leases during the year was ₹ 381.17 lacs (previous year: ₹ 323.68 lacs).

Non-cancellable operating lease rentals payable (minimum lease payments) under these leases are as follows:

**(₹ Lacs)**

| Particulars | For the year ended 31 March 2018 | For the year ended 31 March 2017 |
|---|---|---|
| Payable within 1 year | 278.59 | 200.02 |
| Payable between 1-5 years | 423.82 | 299.97 |
| Payable later than 5 years | - | - |

**Note 30 : Expenses capitalised**

During the year, the Company completed the construction of integrated ultra fine count cotton yarn spinning facility and commenced the commercial production on 5 February 2018. Expenses capitalized on initial recognition of the resulting PPE, include the costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

**(₹ Lacs)**

| Particulars | For the year ended 31 March 2018 | For the year ended 31 March 2017 |
|---|---|---|
| **a) Details of Borowing costs capitalised** | | |
| Borrowing costs capitalised during the year | 3,319.25 | 1,130.79 |
| **Total Borrowing cost capitalised** | **3,319.25** | **1,130.79** |
| **b) Details of expenses capitalised** | | |
| Raw material and packing material consumed | 4,597.32 | 1,078.78 |
| Employee benefit expenses | 1,300.90 | 759.53 |
| Other expenses | 2,496.36 | 1,059.46 |
| | **8,394.58** | **2,897.77** |
| **Total** | **11,713.83** | **4,028.56** |

**Note 31 : Segment Reporting**

The Managing Director and Chief Executive Officer of the Company has been identified as the Chief Operating Decision Maker (CODM) as defined by Ind AS 108, Operating Segments. The Company is structured into a single segment of Home Textiles value chain, and accordingly the CODM evaluates the Company's performance and allocates resources based on an analysis of various performance indicators by the products portfolio and segment information has been presented accordingly.

The geographical information analyses the Company's revenue from external customer and non-current assets of its single reportable segment by the Company's country of domicile (i.e. India) and other countries. In presenting the geographical information, segment revenue has been based on the geographical location of the customer and segment assets which have been based on the geographical location of the assets.

a) Geographical revenues are segregated based on the location of the customers who are invoiced or in relation to which the revenue is otherwise recognised:

**(₹ Lacs)**

| Particulars | For the year ended 31 March 2018 | For the year ended 31 March 2017 |
|---|---|---|
| North America | 127,441.31 | 117,894.25 |
| India | 12,026.74 | 3,558.19 |
| Europe | 5,195.25 | 5,372.76 |
| Asia (except India) | 2,487.85 | 4,466.62 |
| Rest of the world | 25.80 | 72.59 |
| **Total** | **147,176.95** | **131,364.41** |

**Revenue from major customers.**

Customers contributing 10% or more of Company's revenue (2 customers amounting to ₹ 117,305.93 Lacs in 2017-18 and 2 customers amounting to ₹ 106,471.72 Lacs in 2016-17.)

b) All non –current assets other than financial instruments, deferred tax assets of the Company are located in India.

**Note 32: Income Taxes**

**Amount recognised in Statement of profit and loss**

**(₹ Lacs)**

| Particulars | For the year ended 31 March 2018 | For the year ended 31 March 2017 |
|---|---|---|
| **Current tax:** | | |
| In respect of the current year | 6,968.37 | 2,993.87 |
| Adjustments in respect of prior years | (600.37) | (311.00) |
| | **6,368.00** | **2,682.87** |
| **Deferred Tax** | | |
| In respect of the current year | 2,386.95 | 4,122.59 |
| | **2,386.95** | **4,122.59** |
| **Income tax expense reported in the Statement of profit and loss** | **8,754.95** | **6,805.46** |

**Income Tax recognised in Other Comprehensive Income**

**Deferred tax :**

**(₹ Lacs)**

| Particulars | For the year ended 31 March 2018 | For the year ended 31 March 2017 |
|---|---|---|
| Remeasurements of the defined benefit liabilities / (asset) | 13.24 | (75.17) |
| Effective portion of gains and loss on designated portion of hedging instruments in a cash flow hedge | (1,428.07) | 1,198.90 |
| **Income tax charged to other comprehensive income** | **(1,414.83)** | **1,123.73** |

**Reconciliation of effective tax rate**

**(₹ Lacs)**

| Particulars | For the year ended 31 March 2018 | For the year ended 31 March 2017 |
|---|---|---|
| Accounting profit before income tax | 29,360.14 | 24,489.68 |
| Tax using the Company's domestic tax rate 34.608% (31 March 2017: 34.608%) | 10,160.96 | 8,475.39 |
| Effects of tax concessions | (579.93) | (1,472.97) |
| Effects of non - deductible expenses for tax purposes | (60.52) | 160.82 |
| Effects due to differential tax rates on capital gains | (165.19) | (46.78) |
| **Total income tax expense recognised in the statement of profit and loss** | **9,355.32** | **7,116.46** |
| Adjustments recognised in the current year in relation to current tax of prior years | (600.37) | (311.00) |
| **Total income tax expense recognised in the statement of profit and loss** | **8,754.95** | **6,805.46** |
| **Effective tax rate** | **29.82%** | **27.79%** |

**Deferred tax**

**Deferred tax relates to the following:**

**(₹ Lacs)**

| Particulars | As at 1 April 2016 | Recognised in profit or loss during 2016-17 | Recognised in OCI during 2016-17 | As at 31 March 2017 | Recognised in profit or loss during 2017 -18 | Recognised in OCI during 2017-18 | As at 31 March 2018 |
|---|---|---|---|---|---|---|---|
| **Deferred tax assets / (liabilities)** | | | | | | | |
| Property, Plant and Equipment (including land) | (8,614.84) | (2,291.16) | - | (10,906.00) | (3,749.36) | - | (14,655.36) |
| Cash flow hedge | (437.40) | - | (1,198.90) | (1,636.30) | - | 1,428.07 | (208.23) |
| Investments at fair value through profit or loss | 249.53 | (44.27) | 75.17 | 280.43 | (151.33) | - | 129.10 |
| Defined benefit obligations | (264.82) | 264.82 | - | - | 150.58 | (13.24) | 137.34 |
| Unpaid employee benefits | 294.22 | 51.14 | - | 345.36 | 50.03 | - | 395.39 |
| Tax benefits | - | - | - | - | 31.63 | - | 31.63 |
| Unadjusted tax losses, including unabsorbed depreciation | 4,521.48 | (4,487.95) | - | 33.53 | (33.53) | - | (0.00) |
| Other disallowances | - | 297.37 | - | 297.37 | (297.37) | - | - |
| Minimum Alternate Tax Credit | 9,676.83 | 2,087.46 | - | 11,764.29 | 1,612.40 | - | 13,376.69 |
| **Deferred tax assets / (liabilties)** | **5,425.00** | **(4,122.59)** | **(1,123.73)** | **178.68** | **(2,386.95)** | **1,414.83** | **(793.44)** |

**Note 33 : Earnings per share** **(₹ Lacs)**

| Particulars | For the year ended 31 March 2018 | For the year ended 31 March 2017 |
|---|---|---|
| Net profit for the year attributable to equity shareholders | 20,605.19 | 17,684.22 |
| **Reconciliation of basic and diluted shares used in computing earnings per share:** | | |
| Number of equity shares outstanding at the beginning of the year | 98,457,160 | 98,457,160 |
| Add: Weighted average number for equity shares issued during the year | - | - |
| Weighted average number of equity shares outstanding during the year | 98,457,160 | 98,457,160 |
| **Earnings per share** | | |
| **Basic** | **20.93** | **17.96** |
| **Diluted** | **20.93** | **17.96** |

**Note 34: Financial instruments**

**Note 34.1 : Categories of financial instruments:**

**Accounting classification and fair value**

The following table shows the carrying amount and fair value of financial assets and financial liabilities including their levels in fair value hierarchy:

**Fair value hierarchy**

The section explains the judgment and estimates made in determining the fair values of the financial instruments that are:

a) recognised and measured at fair value

b) measured at amortised cost and for which fair values are disclosed in the financial statements.

To provide an indication about the reliability of the inputs used in determining fair value, the Company has classified its financial instruments into the three levels prescribed under the Indian Accounting Standard.

**(₹ Lacs)**

| Particulars | Carrying amount | Fair value | | |
|---|---|---|---|---|
| | 31 March 2018 | Level 1 | Level 2 | Level 3 |
| **Financial assets** **Measured at amortised cost:** | | | | |
| Cash and cash equivalents | 7,434.56 | - | - | - |
| Other bank balances | 2,485.00 | - | - | - |
| Trade receivables | 40,786.05 | - | - | - |
| Loans | 23,891.38 | - | - | - |
| Other financial assets | 20,504.32 | - | - | - |
| **Measured at FVTOCI** | | | | |
| Other financial assets | 956.58 | - | 956.58 | - |
| **Measured at FVTPL** | | | | |
| Current investments | 11,893.12 | 11,893.12 | - | - |
| Other financial assets | 58.93 | - | 58.93 | - |
| **Total** | **108,009.94** | **11,893.12** | **1,015.51** | **-** |
| **Financial liabilities:** | | | | |
| **Measured at amortised cost** | | | | |
| Borrowings | 179,745.66 | - | - | - |
| Trade payables | 19,860.61 | - | - | - |
| Other financial liabilities* | 13,559.43 | - | - | - |
| **Measured at FVTOCI** | | | | |
| Other financial liabilities | 416.51 | - | 416.51 | - |
| **Total** | **213,582.21** | **-** | **416.51** | **-** |

**Note 34.1 : Categories of financial instruments (Continued)**

**(₹ Lacs)**

| Particulars | Carrying amount | Fair value | | |
|---|---|---|---|---|
| | 31 March 2017 | Level 1 | Level 2 | Level 3 |
| **Financial assets** | | | | |
| **Measured at amortised cost:** | | | | |
| Cash and cash equivalents | 3,117.07 | - | - | - |
| Other bank balances | 12,421.46 | - | - | - |
| Trade receivables | 34,062.17 | - | - | - |
| Loans (current and non-current) | 24,362.72 | - | - | - |
| Other financial assets (current and non-current) | 12,727.75 | - | - | - |
| **Measured at FVTOCI** | | | | |
| Other current financial assets | 5,468.35 | - | 5,468.35 | - |
| **Measured at FVTPL** | | | | |
| Current investments | - | - | - | - |
| **Total** | **92,159.52** | **-** | **5,468.35** | **-** |
| **Financial liabilities:** | | | | |
| **Measured at amortised cost** | | | | |
| Borrowings (current and non-current) | 111,165.31 | - | - | - |
| Trade payables | 13,885.35 | - | - | - |
| Other current financial liabilities* | 8,593.39 | - | - | - |
| **Measured at FVTOCI** | | | | |
| Other current financial liabilities | 740.26 | - | 740.26 | - |
| **Measured at FVTPL** | | | | |
| Other current financial liabilities | - | - | - | - |
| **Total** | **134,384.31** | **-** | **740.26** | **-** |

* Current maturities of long term borrowings aggregating ₹ 8,876.24 lacs and ₹ 5,414.22 lacs as at 31 March 2018 and 31 March 2017 respectively, form part of other financial liabilities.

Investment in equity shares of subsidiaries are not appearing as financial asset in the table above being investment in subsidiaries accounted under Ind AS 27, Separate Financial Statements which is scoped out under Ind AS 109.

**Fair Value Hierarchy**

**Level 1:** Level 1 hierarchy includes financial instruments measured using quoted prices. This includes investment in equity, preference securities, mutual funds and debentures that have quoted price.

**Level 2:** The fair value of financial instruments that are not traded in an active market (for example, traded bonds, over-the-counter derivatives) is determined using valuation techniques which maximize the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

**Level 3:** If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unquoted equity securities.

**Fair Valuation Method**

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. The following methods and assumptions were used to estimate the fair values:

**Financial Assets:**

The Company has not disclosed the fair values for loans, trade receivables, cash and cash equivalents including other bank balances, unbilled revenue and other financial assets because their carrying amounts are a reasonable approximation of their fair value.

**Current Investments :** Fair value of quoted mutual funds units is based on quoted market price at the reporting date.

**Note 34.1 : Categories of financial instruments (Continued)**

**Financial Liabilities:**

**Borrowings:** It includes loans taken from banks and financial institution, cash credit and bill discounting facilities. Borrowings are classified and subsequently measured in the financial statements at amortized cost. Considering that the interest rate on loans is reset on yearly basis, the carrying amount of the loan would be a reasonable approximation of its fair value.

**Trade payables and other financial liabilities:** Fair values of trade payables and other financial liabilities are measured at carrying value, as most of them are settled within a short period and so their fair values are assumed almost equal to the carrying values.

**Note 34.2 : Financial risk management:**

The Company's activities expose to financial risks: credit risk, liquidity risk and market risk.

**Risk management framework**

The Company's board of directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to maintain a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Company's Audit Committee oversees how management monitors compliance with the Company's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. The audit committee is assisted in its oversight role by internal auditor. Internal Audit function includes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

**i. Credit risk:**

Credit risk is the risk of financial loss arising from counterparty failure to repay or service debt according to the contractual terms or obligations. Credit risk encompasses of both, the direct risk of default and the risk of deterioration of creditworthiness as well as concentration of risks. Credit risk is controlled by analysing credit limits and creditworthiness of customers on a continuous basis to whom the credit has been granted after obtaining necessary approvals for credit.

Financial instruments that are subject to concentrations of credit risk principally consist of trade receivables, investments, derivative financial instruments, cash and cash equivalents, bank deposits and other financial assets. Bank deposits includes an amount of ₹ 2,895.32 lacs held with a bank having high quality credit rating which is individually in excess of 10% or more of the Company's total bank deposits for the year ended 31 March 2018. None of the other financial instruments of the Company result in material concentration of credit risk.

**Exposure to credit risk**

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk was ₹ 107,998.97 lacs and ₹ 92,138.52 lacs as at 31 March 2018, and 31 March 2017, respectively, being the total of the carrying amount of balances with banks, bank deposits, current investments, trade receivables and other financial assets excluding cash in hand and equity investments.

**Geographic concentration of credit risk**

Geographic concentration of trade receivables (gross and net of allowances) is as follows:

| Particulars | As at 31 March 2018 | | As at 31 March 2017 | |
|---|---|---|---|---|
| | Gross % | Net % | Gross % | Net % |
| North America | 85% | 85% | 89% | 90% |
| India | 12% | 12% | 9% | 8% |
| Others | 3% | 3% | 2% | 2% |

Geographical concentration of trade receivables is allocated based on the location of the customers.

**ii. Liquidity risk**

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company manages its liquidity risk by ensuring, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risk to the Company's reputation.The Company believes that the working capital and its cash and cash equivalent are sufficient to meet its short and medium term requirements."

Management monitors rolling forecast of the Company's liquidity position and cash and cash equivalents on the basis of expected cash flows. This is generally carried out by the Management of the Company in accordance with practice and limits set by the Company. In addition, the Company's liquidity management policy involves projecting cash flows and considering the level of liquid assets necessary to meet these, monitoring balance sheet liquidity ratios against internal and external regulatory requirements and maintaining debt financing plans.

**A) Financing arrangement**

The Company maintains the following line of credit:

(a) Terms loans taken from bank aggregrating to ₹ 62,413.49 Lacs repayable in various quarterly and yearly installments with interest rate ranging from 4.80% to 9.95% per annum. Term Loan from financial institutions aggregrating to ₹ 62,036.04 Lacs with interest rate ranging from 9.95% - 11.55% per annum. These are secured by first pari passu charge on the entire movable and immovable fixed assets of the Company, present and future.

(b) Working capital loans from banks carry an effective interest rate of 5.51% per annum., computed on a monthly basis on the actual amount utilized, and are repayable on demand. These are secured by pari passu charge by way of hypothecation of stock and book debts of the Company and second pari passu charge on the movable (other than those exclusively charged) and immovable fixed assets of the Company.

(c) The Company has taken receivable bill discounting facility from banks which are payable within 120 days from date of bill discounted.

The table below provides details regarding the contractual maturities of significant financial liabilities as at 31 March 2018 and 31 March 2017. The amounts are gross and undiscounted contractual cash flow and includes contractual interest payment and exclude netting arrangements:

**As at 31 March 2018** **(₹ Lacs)**

| Particulars | Contractual cash flows | | | | |
|---|---|---|---|---|---|
| | Carrying amount | Total | 0-1 years | 1-5 years | 5 years and above |
| **Financial liabilities:** | | | | | |
| Borrowings* | 188,621.90 | 188,621.90 | 73.048.61 | 74,096.93 | 41,476.36 |
| Trade payables | 19,860.61 | 19,860.61 | 19,860.61 | - | - |
| Other financial liabilities# | 5,099.70 | 5,099.70 | 5,099.70 | - | - |

**As at 31 March 2017** **(₹ Lacs)**

| Particulars | Contractual cash flows | | | | |
|---|---|---|---|---|---|
| | Carrying amount | Total | 0-1 years | 1-5 years | 5 years and above |
| **Financial liabilities:** | | | | | |
| Borrowings* | 116,579.53 | 116,579.53 | 48,486.42 | 41,546.78 | 26,546.33 |
| Trade payables | 13,885.35 | 13,885.35 | 13,885.35 | - | - |
| Other financial liabilities# | 3,919.43 | 3,919.43 | 3,919.43 | - | |

* Includes current maturies of long term borrowings (Refer note 19) and current borrowings (Refer note 17)

# Excludes current maturies of long term borrowings

As disclosed in note 14, the Company has secured bank loan that contains loan covenants. A future breach of covenants may require the Company to repay the loan earlier than indicated in the above table. Except for these financial liabilties, it is not expected that cash flows included in maturity analysis could occur significantly earlier.

**iii. Market Risk**

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. Market risk is attributable to all market risk sensitive financial instruments including foreign currency receivables and payables and long term debt. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

**a) Foreign currency risk:**

The Company is exposed to currency risk to the extent that there is a mismatch between the currencies in which sales, purchases and borrowings are denominated and the respective functional currency of the Company. The functional currency of the Company is ₹. The currencies in which these transactions are primarily denominated are USD, GBP etc.

**Note 34.2 : Financial risk management (continued)**

Management monitors the movement in foreign currency and the Company's exposure in each of the foreign currency. Based on the analysis and study of movement in foreign currency, the Company decides to exchange its foreign currency.A significant portion of the Company's revenues are in foreign currencies, while a significant portion of its costs are in Indian rupees. As a result, if the value of the Indian rupee appreciates relative to foreign currencies, the Company's revenues measured in Indian rupees may decrease. The exchange rate between the Indian rupee and foreign currencies has changed substantially in recent periods and may continue to fluctuate substantially in the future. Consequently, the Company uses derivative and non-derivative financial instruments, such as foreign exchange forward contracts to mitigate the risk of changes in foreign currency exchange rates in respect of its highly probable forecasted transactions and recognised assets and liabilities.

All hedging activities are carried out in accordance with the Company's internal risk management policies, as approved by the Board of Directors, and in accordance with the applicable regulations where the Company operates.

The following table gives details in respect of outstanding foreign exchange forward contracts in relation to Sell Contracts:

| Currency | As at 31 March, 2018 | | As at 31 March, 2017 | |
|---|---|---|---|---|
| | in Foreign Currency in (Million) | ₹ Lacs | in Foreign Currency in (Million) | ₹ Lacs |
| In USD | 124.44 | 83,088.83 | 144.18 | 100,647.96 |
| In EURO | 3.47 | 2,797.90 | 4.13 | 3,246.76 |
| In GBP | 2.74 | 2,466.82 | 2.86 | 2,621.29 |
| **Total** | | **88,353.55** | | **106,516.01** |

The following table gives details in respect of outstanding foreign exchange forward contracts in relation to buy Contracts:

| Currency | As at 31 March, 2018 | | As at 31 March, 2017 | |
|---|---|---|---|---|
| | in Foreign Currency in (Million) | ₹ Lacs | in Foreign Currency in (Million) | ₹ Lacs |
| In EURO | 1.97 | 1,666.31 | 15.23 | 11,396.15 |
| In CHF | 5.90 | 4,277.73 | 0.34 | 237.66 |
| In USD | 19.69 | 12,838.96 | 0.10 | 68.43 |
| In JPY | 311.75 | 1,979.16 | - | - |
| **Total** | | **20,762.16** | | **11,702.24** |

The foreign exchange forward contracts mature within 12 months. The table below analyzes the derivative financial instruments sell contracts into relevant maturity groupings based on the remaining period as on the balance sheet date:

**(₹ Lacs)**

| Particulars | As at 31 March, 2018 | As at 31 March, 2017 |
|---|---|---|
| Less than 1 month | 8,974.29 | 8,727.29 |
| 1 to 3 months | 19,131.53 | 20,286.28 |
| 3 to 6 months | 28,290.39 | 29,431.71 |
| 6 to 12 months | 31,957.34 | 48,070.73 |
| **Total** | **88,353.55** | **106,516.01** |

The foreign exchange forward contracts maturity. The table below analyzes the derivative financial instruments buy contracts into relevant maturity groupings based on the remaining period as on the balance sheet date:

**(₹ Lacs)**

| Particulars | As at 31 March, 2018 | As at 31 March, 2017 |
|---|---|---|
| Less than 1 month | 41.30 | 2,356.20 |
| 1 to 3 months | 12,797.66 | 8,463.85 |
| 3 to 6 months | 2,191.22 | 882.19 |
| 6 to 12 months | 5,609.50 | - |
| Morethan 12 months | 122.48 | - |
| **Total** | **20,762.16** | **11,702.24** |

**Note 34.2 : Financial risk management (continued)**

**Exposure to currency risk**

The summary quantitative data about the Company's exposure to currency risk as reported to management is as follows:

| Particulars | Currency | As at 31 March 2018 | | As at 31 March 2017 | |
|---|---|---|---|---|---|
| | | Amount in foreign currency in lacs | Amount in ₹ lacs | Amount in foreign currency ₹ lacs | Amount in ₹ lacs |
| Cash and cash equivalents | USD | 0.27 | 17.68 | 0.03 | 1.91 |
| Trade receivables | USD | 535.05 | 34,778.04 | 470.38 | 30,504.21 |
| | EUR | 10.95 | 883.12 | 7.29 | 505.53 |
| | GBP | 3.68 | 339.69 | 3.13 | 253.49 |
| | AED | - | - | 1.78 | 31.41 |
| Non-current loans | USD | 341.00 | 22,165.26 | 351.77 | 22,812.41 |
| | AED | 4.52 | 80.07 | - | - |
| Other financial assets | USD | 45.41 | 2,951.44 | 22.16 | 1,437.07 |
| | AED | 0.19 | 3.31 | - | - |
| Borrowings | USD | 332.36 | 21,603.09 | 305.94 | 19,840.32 |
| Trade payables | USD | 96.17 | 6,250.81 | 64.43 | 4,178.32 |
| | EUR | 7.72 | 622.67 | 1.03 | 71.55 |
| | GBP | 8.01 | 739.28 | 0.20 | 16.37 |
| Other financial liabilities | USD | 2.34 | 152.30 | 22.54 | 1,461.98 |
| | EUR | 0.03 | 2.26 | - | - |
| | GBP | 0.05 | 4.30 | - | - |

The following significant exchange rates have been applied

| Currency | Year end spot rate | |
|---|---|---|
| | 31 March 2018 | 31 March 2017 |
| USD/INR | 65.00 | 64.85 |
| EUR/INR | 80.63 | 69.31 |
| GBP/INR | 92.26 | 80.96 |
| AED/INR | 17.70 | 17.66 |

**Sensitivity analysis**

A reasonably possible strengthening (weakening) of the USD, EURO and GBP against ₹ at 31 March 2018 and 31 March 2017 would have affected the measurement of financial instruments denominated in foreign currency and affected equity and profit and loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

**(₹ Lacs)**

| Particulars | Profit and loss | | Equity, net of tax | |
|---|---|---|---|---|
| | Strengthening | Weakening | Strengthening | Weakening |
| **31 March 2018** | | | | |
| USD (1% movement) | 352.52 | (352.52) | 230.52 | (230.52) |
| EURO (1% movement) | 2.58 | (2.58) | 1.69 | (1.69) |
| GBP (1% movement) | (4.04) | 4.04 | (2.64) | 2.64 |
| AED (1% movement) | 0.83 | (0.83) | 0.55 | (0.55) |
| **31 March 2017** | | | | |
| USD (1% movement) | 292.75 | (292.75) | 191.44 | (191.44) |
| EURO (1% movement) | 4.34 | (4.34) | 2.84 | (2.84) |
| GBP (1% movement) | 2.37 | (2.37) | 1.55 | (1.55) |
| AED (1% movement) | 0.31 | (0.31) | 0.21 | (0.21) |

**Interest rate risk**

Interest rate risk primarily arises from floating rate borrowing, including various revolving and other lines of credit. The Company's investments are primarily in short-term investments, which do not expose it to significant interest rate risk. The Company's borrowings comprises of term loan, working capital loan and bill discounting which carries variable rate of interest, which expose it to interest rate risk.

**(a) Interest rate risk exposure**

The exposure of the Company's borrowing to interest rate changes at the end of the reporting period are as follows:

**(₹ Lacs)**

| Particulars | As at | |
|---|---|---|
| | 31 March 2018 | 31 March 2017 |
| Variable rate borrowings | 188,621.90 | 116,179.72 |
| Fixed rate borrowings (including current maturities of long term debts) | - | 399.81 |
| **Total borrowings** | **188,621.90** | **116,579.53** |

**(b) Sensitivity**

**(₹ Lacs)**

| Particulars | Profit and loss | | Equity, net of tax | |
|---|---|---|---|---|
| | 25 basis points Increase | 25 basis points Decrease | 25 basis points Increase | 25 basis points Decrease |
| **31 March 2018** | | | | |
| Variable rate borrowings | 381.50 | (381.50) | 249.47 | (249.47) |
| **31 March 2017** | | | | |
| Variable rate borrowings | 235.75 | (235.75 ) | 154.16 | (154.16) |

**Note 34.3: Capital management**

The Company's policy is to maintain a stable and strong capital base structure with a focus on total equity so as to uphold investor, creditor and market confidence and to sustain future development and growth of the business. The Company monitors the return on capital as well as the level of dividends on its equity shares. The Company's objective when managing capital is to maintain an optimal structure so as to maximize shareholder value and safeguard its ability to continue as a going concern.

The Company monitors capital using a ratio of 'adjusted net debt' to 'equity'. For the purpose of Company's capital management, adjusted net debt is defined as aggregate on non-current borrowing, current borrowing and current maturities of long-term borrowings less cash and cash equivalents, deposits and current investments and total equity includes issued capital and all other equity reserves.

The Company's adjusted net debt equity ratio were as follows:

**(₹ Lacs)**

| Particulars | As at | |
|---|---|---|
| | 31 March 2018 | 31 March 2017 |
| Borrowings (current and non-current) | 188,621.90 | 116,579.53 |
| Less: Cash and cash equivalents including deposits and current investments | (22,269.37) | (15,538.53) |
| **Adjusted net debt** | **166,352.52** | **101,041.00** |
| Total equity | 121,693.11 | 106,671.76 |
| **Net debt to equity ratio** | **1.37** | **0.95** |

**Note 35: Related party disclosures**

**Note 35.1: Name of related parties and description of relationship**

| Description of relationship | Names of the related parties |
|---|---|
| Subsidiaries (including step subsidiaries) | Himatsingka Wovens Private Limited<br>Himatsingka Holdings North America, Inc. ( formerly known as Himatsingka America , Inc.)<br>Himatsingka America, Inc. (Merged entity of DWI Holdings, Inc. and Divatex Home Fashions, Inc.)<br>Himatsingka Singapore Pte Ltd<br>Himatsingka Europe Limited<br>Giuseppe Bellora S.r.l.<br>Twill & Oxford LLC |
| Associates | Himatsingka Energy Private Limited |
| Key management personnel | D.K. Himatsingka - Executive Chairman (w.e.f. 21 May 2016)<br>Shrikant Himatsingka - Managing Director & Chief Executive Officer (w.e.f. 21 May 2016)<br>V.Vasudevan-Executive Director (w.e.f. 21 May 2016)<br>Sangeeta Kulkarni-Independent Director (w.e.f. 21 May 2016)<br>Rajiv Khaitan - Independent Director<br>Dr.K.R.S Murthy - Independent Director<br>Berjis M Desai - Independent Director (upto 23 May 2017)<br>K.P. Rangaraj-Chief Financial officer (w.e.f. 2 August 2017)<br>Ashutosh Halbe-Interim Chief Financial Officer (from 5 July 2017 to 2 August 2017)<br>K.P. Pradeep-Chief Financial officer (upto 7 January 2017)<br>Ashok Sharma-Company Secretary<br>Aditya Himatsingka - Executive Director (upto 23 May 2017) |
| Entities over which key management personnel or relatives of such personnel are able to exercise significant influence | Bihar Mercantile Union Limited (BMU)<br>VSJ investments Pvt Ltd (formerly known as Credit Himatsingka Private Limited [CHPL])<br>Khaitan & Co LLP<br>Jacaranda Design LLC |

**Note 35.2 : Related party transactions during the year**

**(₹ Lacs)**

| Particulars | | For the year ended 31 March 2018 | For the year ended 31 March 2017 |
|---|---|---|---|
| Sale of products | Himatsingka Wovens Private Limited | 1,988.53 | 1,988.30 |
| | Himatsingka Holdings North America, Inc. | 55,052.94 | 33,891.85 |
| | Himatsingka America, Inc. | 62,252.99 | 72,579.87 |
| | Giuseppe Bellora S.r.l. | 559.39 | 126.71 |
| | Twill & Oxford LLC | 19.93 | 43.07 |
| Sale of services | Himatsingka Wovens Private Limited | 2.34 | 6.34 |
| Interest income | Himatsingka Wovens Private Limited | 118.51 | 93.23 |
| | Himatsingka Holdings North America, Inc. | 1,878.54 | 2,033.40 |
| | Twill & Oxford LLC | 3.26 | - |
| Rental income | Himatsingka Wovens Private Limited | 28.14 | 25.95 |
| Other income | Himatsingka Wovens Private Limited | 11.55 | - |
| | Himatsingka America, Inc. | - | 362.10 |
| Recovery of expenses | Himatsingka Wovens Private Limited | - | 44.62 |
| | Himatsingka Holdings North America, Inc. | 184.92 | - |
| | Himatsingka America, Inc. | - | 201.87 |
| | Himatsingka Europe Limited | 10.36 | - |
| | Giuseppe Bellora S.r.l. | - | 61.91 |
| Reimbursement of expenses | Himatsingka Wovens Private Limited | - | 18.86 |
| | Himatsingka Holdings North America, Inc. | 91.07 | - |
| | Himatsingka America, Inc. | - | 117.59 |
| Purchase of Goods | Himatsingka Wovens Private Limited | 8.95 | - |
| | Himatsingka America, Inc. | 934.74 | - |
| Purchase of Services | Himatsingka Europe Limited | 455.81 | - |
| Purchase of fixed asset | Himatsingka Wovens Private Limited | 55.02 | 6.60 |
| | Himatsingka America, Inc. | - | 868.04 |
| | Giuseppe Bellora S.r.l. | - | 503.31 |
| Inter corporate loans given during the year | Himatsingka Wovens Private Limited | 605.56 | 350.00 |
| | Twill & Oxford LLC | 80.07 | - |
| Inter corporate loans recovered during the year | Himatsingka Wovens Private Limited | 557.60 | - |
| | Himatsingka Holdings North America, Inc. | 647.15 | 510.46 |
| Investment made during the year | Himatsingka Europe Limited | 7,420.58 | 1.05 |
| | Himatsingka Energy Private Limited | 0.26 | - |
| Sale of investment during the year | Himatsingka Europe Limited | - | 7,069.21 |
| Guarantees given on behalf of subsidiaries | Himatsingka America, Inc. | 13,000.00 | - |

**Note 35.3: Balance receivable from and payable to related parties as at the balance sheet date:**

**(₹ Lacs)**

| Particulars | | As at 31 March 2018 | As at 31 March 2017 |
|---|---|---|---|
| Trade receivables | Himatsingka Wovens Private Limited | 3,515.66 | 2,537.57 |
| | Himatsingka Holdings North America, Inc. | 14,268.50 | 8,600.55 |
| | Himatsingka America, Inc. | 13,611.22 | 20,275.02 |
| | Giuseppe Bellora S.r.l. | 418.25 | - |
| | Twill & Oxford LLC | - | 31.41 |
| Advances | Himatsingka Wovens Private Limited | 209.20 | 170.26 |
| | Himatsingka America, Inc. | 152.72 | 158.29 |
| Other receivables | Himatsingka Wovens Private Limited | 10.42 | - |
| | Himatsingka Holdings North America, Inc. | 333.74 | - |
| | Himatsingka America, Inc. | 198.88 | - |
| | Himatsingka Europe Limited | 35.86 | 7,069.21 |
| Inter corporate loans receivable | Himatsingka Wovens Private Limited | 1,397.96 | 1,350.00 |
| | Himatsingka Holdings North America, Inc. | 22,165.26 | 22,812.41 |
| | Twill & Oxford LLC | 80.07 | - |
| Interest receivable | Himatsingka Wovens Private Limited | 340.41 | 233.54 |
| | Himatsingka Holdings North America, Inc. | 2,951.44 | 1,437.07 |
| | Twill & Oxford LLC | 3.31 | - |
| Trade payables | Himatsingka Holdings North America, Inc. | 91.07 | 7.40 |
| | Himatsingka America, Inc. | 1,567.20 | 904.46 |
| Customer advance | Himatsingka Holdings North America, Inc. | - | 173.84 |
| Corporate Guarantee | Himatsingka Wovens Private Limited | 800.00 | 1,200.00 |
| | Himatsingka Holdings North America, Inc. | 13,208.28 | 13,176.78 |
| | Himatsingka America, Inc. | 13,208.28 | 207.78 |
| | Giuseppe Bellora S.r.l. | 7,196.23 | 6,185.56 |

**Note 35.4: Compensation to key managerial personnels:**

**(₹ Lacs)**

| Particulars | For the Period 31 March 2018 | For the Period 31 March 2017 |
|---|---|---|
| Short term employee benefits | 1,863.99 | 1,556.62 |
| Receiving of services | 55.53 | 205.43 |
| Others | 10.80 | 12.30 |
| **Total** | **1,930.32** | **1,774.35** |

*Managerial remuneration does not include cost of employee benefits such as gratuity and compensated absences since, provision for these are based on an actuarial valuation carried out for the Company as a whole.

**Note 36: Details of non-current investments purchased and sold during the year under Section 186(4) of the Act:**

**Investments in equity instruments**

**(₹ Lacs)**

| (a) Subsidiaries | Face value per unit | As at 1 April 2017 | Purchased during the year# | Sold during the year# | Adjustment on account of corporate guarantee | As at 31 March 2018 |
|---|---|---|---|---|---|---|
| Himatsingka Wovens Private Limited | ₹ 100 | 1,683.69 | - | - | 0.29 | 1,683.98 |
| | | **(1,750,000)*** | | | | **(1,750,000)*** |
| Himatsingka Holdings North America, Inc. | USD 10,000 | 21,209.73 | - | - | 135.99 | 21,345.72 |
| | | **(4,742)*** | | | | **(4,742)*** |
| Twill & Oxford LLC | AED 100 | 37.35 | - | - | - | 37.35 |
| | | **(1,470)*** | | | | **(1,470)*** |
| Himatsingka Europe Limited (HEL) | EURO 1 | 47.21 | 7,420.58 | - | 30.38 | 7,498.17 |
| | | **(10,705)*** | | | | **(10,705)*** |
| | GBP 1 | 0.00 | | - | - | 0.00 |
| | | **(1)*** | | | | **(1)*** |
| Himatsingka Energy Private Limited | ₹ 10 | - | 0.26 | - | - | 0.26 |
| | | **(nil)*** | | | | **(2,600)*** |

* The amounts in parenthesis represents number of shares

# Refer note 35

**Details of Non-current investments purchased and sold during the previous year under Section 186(4) of the Act:**

**Investments in equity instruments**

**(₹ Lacs)**

| (a) Subsidiaries | Face value per unit | As at 1 April 2016 | Purchased during the year# | Sold during the year# | Adjustment on account of corporate guarantee | As at 31 March 2017 |
|---|---|---|---|---|---|---|
| Himatsingka Wovens Private Limited | ₹ 100 | 1,677.21 | - | - | 6.48 | 1,683.69 |
| | | **(1,750,000)*** | | | | **(1,750,000)*** |
| Himatsingka Holdings North America, Inc. | USD 10,000 | 20,465.63 | 618.69 | - | 125.41 | 21,209.73 |
| | | **(4,742)*** | | | | **(4,742)*** |
| Twill & Oxford LLC | AED 100 | 37.35 | - | - | - | 37.35 |
| | | **(1,470)*** | | | | **(1,470)*** |
| Giuseppe Bellora S.r.l. | EURO 1 | 7,176.02 | - | 7,176.02 | - | - |
| | | **(7,515,501)*** | | | | **(nil)*** |
| Himatsingka Europe Limited (HEL) | EURO 1 | - | 25.96 | - | 21.25 | 47.21 |
| | | **(nil)*** | | | | **(10,705)*** |
| | GBP 1 | | 0.00 | - | 0.00 | 0.00 |
| | | **(nil)*** | | | | **(1)*** |

* The amounts in parenthesis represents number of shares

# Refer note 35

**Note 37: Details of loans given during the year under Section 186(4) of the Act**

**(₹ Lacs)**

| Name of borrower | Rate of Interest | Interest Nature of relation-ship | Secured / Unsecured | As at 1 April 2017 | Given during the year# | Repayment during the year # | As at 31 March 2018 |
|---|---|---|---|---|---|---|---|
| Himatsingka Wovens Private Limited | 8.50% | Subsidiary | Unsecured | 1,350.00 | 605.56 | 557.60 | 1,397.96 |
| Himatsingka Holdings North America, Inc. | 8.50% | Subsidiary | Unsecured | 22,812.41 | - | 647.15 | 22,165.26 |
| Twill & Oxford LLC | 8.50% | Subsidiary | Unsecured | - | 80.07 | - | 80.07 |

The loans have been given to these subsidiaries in the normal course of business for their operations.

**Details of loans given during the previous year under Section 186(4) of the Act:**

**(₹ Lacs)**

| Name of borrower | Rate of Interest | Interest Nature of relation-ship | Secured / Unsecured | As at 1 April 2016 | Given during the year# | Repayment during the year # | As at 31 March 2017 |
|---|---|---|---|---|---|---|---|
| Himatsingka Wovens Private Limited | 8.50% | Subsidiary | Unsecured | 1,000.00 | 350.00 | - | 1,350.00 |
| Himatsingka Holdings North America, Inc. | 8.50% | Subsidiary | Unsecured | 23,322.87 | - | 510.46 | 22,812.41 |

# Refer note 35

**Note 38: Specified bank notes**

During the year ended 31 March 2017, the Company had specified bank notes or other denomination notes as defined in the MCA notification G.S.R. 308(E) dated 31 March 2017. The details of Specific Bank Notes ('SBN') held and transacted during the period from 8 November 2016 to 30 December 2016 and the denomination wise SBNs and other notes as per the notification is given below:

**(₹ Lacs)**

| Particulars | SBNs* | Other denomination notes | Total |
|---|---|---|---|
| **Closing cash in hand as on 8 November 2016** | **29.22** | **3.04** | **32.26** |
| Add: Permitted receipts | - | 38.31 | 38.31 |
| Less: Permitted payments | - | 25.27 | 25.27 |
| Less: Amount deposited in Banks | 29.22 | 0.04 | 29.26 |
| **Closing cash in hand as on 30 December 2016** | **-** | **16.04** | **16.04** |

*For the purposes of this clause, the term 'Specified Bank Notes' shall have the same meaning provided in the notification of the Government of India, in the Ministry of Finance, Department of Economic Affairs number S.O. 3407(E), dated 8 November 2016.

Note: The disclosures in the financial statements regarding holdings as well as dealings in specified bank notes during the period from 8 November 2016 to 30 December 2016 have not been made since they do not pertain to the financial year ended 31 March 2018. However, amounts as appearing in the audited Standalone Ind AS financial statements for the year ended 31 March 2017 have been disclosed.

**Note 39:** There is no amount due and outstanding as at Balance sheet date to be credited to the Investor Education and Protection Fund

**Note 40 : Transfer pricing**

The Company has established a comprehensive system of maintenance of information and documents as required by the transfer pricing legislation under Sections 92-92F of the Income-tax Act. Since the law requires existence of such information and documentation to be contemporaneous in nature, the Company is in the process of updating the documentation for the international as well as specified domestic transactions (if applicable) entered into with the associated enterprise during the financial year and expects such records to be in existence latest by the end of the stipulated timeline, as required by law. The Management is of the opinion that its international as well as specified domestic transactions (if any) are at arm's length so that the aforesaid legislation will not have any impact on the financial statements, particularly on the amount of tax expenses and that of provision for taxation.

**Note 41 : Events after reporting period**

1. On 25 May 2018, the board of directors recommended a final dividend of ₹ 2.50 per equity share (total dividend of ₹ 2,461.43 lacs (excluding dividend distribution tax )) be paid to the shareholders for financial year 2018-2019, which need to be approved by shareholders at the Annual General Meeting.

2. Subsequent to the year end, the Board of Directors of the Company vide their meeting dated 25 May 2018 has approved the Scheme of arrangement between Himatsingka Wovens Private Limited ("HWPL"), Himatsingka Seide Limited and their respective shareholders in which retail business of HWPL will be demerged into the Company.

**Note 42 : Approval of Financial Statements**

The financial statements were approved by the board of directors on 25 May 2018.

The notes referred to above form an integral part of the Standalone Ind AS financial statements

As per our report of even date attached

for **B S R & Co. LLP**
Chartered Accountants
Firm's registration number : 101248W/W-100022

**Supreet Sachdev**
Partner
Membership number : 205385

**Place: Bengaluru**
**Date : 25 May 2018**

for and on behalf of the Board of Directors of
**Himatsingka Seide Limited**

**D.K. Himatsingka**
Executive Chairman
DIN: 00139516

**Shrikant Himatsingka**
Managing Director & CEO
DIN: 00122103

**K.P.Rangaraj**
Chief Financial Officer

**Ashok Sharma**
Company Secretary

**Place: Bengaluru**
**Date : 25 May 2018**

# INDEPENDENT AUDITOR'S REPORT

**TO THE MEMBERS OF HIMATSINGKA SEIDE LIMITED**

**Report on the Audit of Consolidated Ind AS Financial Statements**

We have audited the accompanying consolidated Ind AS financial statements of Himatsingka Seide Limited ("the Holding Company") and its subsidiaries (collectively referred to as "the Group"), its associate (as listed in note 37 to the consolidated Ind AS financial statements) which comprise the Consolidated Balance Sheet as at 31 March 2018, the Consolidated Statement of Profit and Loss, Consolidated Statement of Changes in Equity and the Consolidated Statement of Cash Flows, for the year then ended, and a summary of the significant accounting policies and other explanatory information (hereinafter referred to as "the consolidated Ind AS financial statements").

**Management's Responsibility for the Consolidated Ind AS Financial Statements**

The Holding Company's Board of Directors are responsible for the preparation of these consolidated Ind AS financial statements in terms of the requirements of the Companies Act, 2013 (hereinafter referred to as "the Act") that give a true and fair view of the consolidated state of affairs, consolidated profit (including other comprehensive income), consolidated statement of changes in equity and consolidated cash flows of the Group including its associate in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards ('Ind AS') prescribed under Section 133 of the Act.

The respective Board of Directors of the companies included in the Group and of its associate are responsible for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Group and its associate and for preventing and detecting frauds and other irregularities; the selection and application of appropriate accounting policies; making judgements and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the consolidated financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error, which have been used for the purpose of preparation of the consolidated Ind AS financial statements by the Directors of the Holding Company, as aforesaid.

In preparing the consolidated Ind AS financial statements, the respective Board of Directors of the companies included in the Group and of its associate are responsible for assessing the ability of the Group and of its associate to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

**Auditor's Responsibility**

Our responsibility is to express an opinion on these consolidated Ind AS financial statements based on our audit. While conducting the audit, we have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the Audit Report under the provisions of the Act and the Rules made thereunder.

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

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the consolidated Ind AS financial statements. 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. In making those risk assessments, the Auditor considers internal financial control relevant to the Holding Company's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made, as well as evaluating the overall presentation of the consolidated Ind AS financial statements.

We are also responsible to conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Group and of its associate to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the Auditor's Report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and its associate to cease to continue as a going concern.

We believe that the audit evidence obtained by us and the audit evidence obtained by the other auditors in terms of their reports referred to in Other Matters paragraph below, is sufficient and appropriate to provide a basis for our audit opinion on the consolidated Ind AS financial statements.

**Opinion**

In our opinion and to the best of our information and according to the explanations given to us and based on the consideration of reports of other auditors on separate financial statements and on the other financial information of the subsidiaries and associate, the aforesaid consolidated Ind AS financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India of the consolidated state of affairs of the Group and its associate as at 31 March 2018, and their consolidated profit and other comprehensive income, consolidated statement of changes in equity and consolidated cash flows for the year ended on that date.

**Other Matters**

1. Corresponding figures of the Group for the year ended 31 March 2017 have been audited by another auditor who expressed an unmodified opinion dated 23 May 2017 on the consolidated Ind AS financial statements for the year ended 31 March 2017.

2. We did not audit the financial statements/ financial information of two subsidiaries, whose financial statements/ financial information reflect total assets of INR 17,683 lakhs and net assets of INR 1,205 lakhs as at 31 March 2018, total revenues (including other income) of INR 9,008 lakhs and net cash inflows amounting to INR 530 lakhs for the year ended on that date, as considered in these consolidated Ind AS financial statements.

   These subsidiaries are located outside India whose financial statements and other financial information have been prepared in accordance with accounting principles generally accepted in their respective countries and which have been audited by other auditors under generally accepted auditing standards applicable in their respective countries. The Holding Company's management has converted the financial statements of such subsidiaries located outside India from accounting principles generally accepted in their respective countries to accounting principles generally accepted in India. We have audited these conversion adjustments made by the Holding Company's management. Our opinion in so far as it relates to the amounts and disclosures included in respect of these subsidiaries located outside India and our report in terms of Section 143(3) of the Act, in so far as it relates to the aforesaid subsidiaries is based on the report of other auditors and the conversion adjustments prepared by the management of the Holding Company and audited by us.

3. We did not audit the financial statements/ financial information of two subsidiaries, whose financial results/ financial information reflect total assets of INR lakhs 8,495 lakhs and net assets of INR 8,417 lakhs as at 31 March 2018, total revenues (including other income) of INR 446 lakhs and net cash inflows amounting to INR 58 lakhs for the year ended on that date, as considered in the consolidated Ind AS financial statements. The consolidated Ind AS financial statements also include the Group's share of net loss (and other comprehensive income) of INR 0.26 lakhs for the year ended 31 March 2018, as considered in these consolidated Ind AS financial statements, in respect of an associate, whose financial statements/ financial information have not been audited by us. These financial statements/ financial information are unaudited and have been furnished to us by the management and our opinion on the consolidated Ind AS financial statements, in so far as it relates to the amounts and disclosures included in respect of these subsidiaries and associate, and our report in terms of Section 143(3) of the Act, is based solely on such unaudited financial statements/ financial information. In our opinion and according to the information and explanations given to us by the management, these financial statements/ financial information are not material to the Group.

   Our opinion above on the consolidated Ind AS financial statements, and our report on Other Legal and Regulatory Requirements below, is not modified in respect of the above matters with respect to the reports of the other auditors and the financial statements/ financial information certified by the Management.

**Report on Other Legal and Regulatory Requirements**

1. As required by Section 143(3) of the Act, based on our audit and on the consideration of report of the other auditors on separate financial statements and other financial information of subsidiaries and associate as noted in the 'Other Matters' paragraph, we report, to the extent applicable, that:

   (a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit of the aforesaid consolidated Ind AS financial statements;

   (b) In our opinion, proper books of account as required by law relating to preparation of the aforesaid consolidated Ind AS financial statements have been kept so far as it appears from our examination of those books and the reports of the other auditors;

   (c) The Consolidated Balance Sheet, the Consolidated Statement of Profit and Loss, the Consolidated Statement of Cash Flows and Consolidated Statement of Changes in Equity dealt with by this Report are in agreement with the relevant books of account maintained for the purpose of preparation of the consolidated Ind AS financial statements;

   (d) In our opinion, the aforesaid consolidated Ind AS financial statements comply with the Indian Accounting Standards specified under Section 133 of the Act;

   (e) On the basis of the written representations received from the Directors of the Holding Company as on 31 March 2018, taken on record by the Board of Directors of the Holding Company, the report of the statutory auditor of its subsidiary company and certification obtained by management of associate Company incorporated in India, none of the directors of the Group companies incorporated in India is disqualified as on 31 March 2018 from being appointed as a Director in terms of Section 164(2) of the Act;

   (f) With respect to the adequacy of the internal financial controls with reference to consolidated Ind AS financial statements of the Holding Company, its subsidiary companies and associate company incorporated in India and the operating effectiveness of such controls, refer to our separate Report in "Annexure A"; and

(g) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us and based on the consideration of the report of the other auditors on separate financial statements and also the other financial information of the subsidiaries and associate as noted in the 'Other Matters' paragraph:

i. The consolidated Ind AS financial statements disclose the impact of pending litigations on the consolidated financial position of the Group and its associate. Refer note 30 to the consolidated Ind AS financial statements;

ii. The Group and its associate did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses;

iii. There were no amounts during the year which were required to be transferred to the Investor Education and Protection Fund by the Holding Company, its subsidiary companies and associate company incorporated in India during the year ended 31 March 2018; and

iv. the disclosures in the consolidated Ind AS financial statements regarding holdings as well as dealings in specified bank notes during the period from 8 November 2016 to 30 December 2016 have not been made since they do not pertain to the financial year ended 31 March 2018. However amounts as appearing in the audited consolidated Ind AS financial statements for the period ended 31 March 2017 have been disclosed.

*for* **B S R & Co. LLP**
*Chartered Accountants*
Firm's Registration No.: 101248W/W-100022

**Supreet Sachdev**
*Partner*
Membership No.: 205385

Place: Bengaluru
Date: 25 May 2018

# ANNEXURE - A TO THE INDEPENDENT AUDITOR'S REPORT

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

We have audited the internal financial control over financial reporting of Himatsingka Seide Limited ("the Holding Company"), its subsidiaries (collectively referred to as "the Group") and its associate which are incorporated in India as of 31 March 2018 in conjunction with our audit of the consolidated Ind AS financial statements of the Holding Company for the year ended on that date.

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

The respective Board of Directors of the Holding Company, its subsidiary companies, which are companies incorporated in India, are responsible for establishing and maintaining internal financial controls based on the internal control with reference to the consolidated Ind AS financial statements criteria established by the respective Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting ('Guidance Note') issued by the Institute of Chartered Accountants of India ('ICAI'). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to the respective company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Act.

**Auditors' Responsibility**

Our responsibility is to express an opinion on the internal financial controls with reference to the consolidated Ind AS financial statements of the Holding Company, its subsidiary companies incorporated in India, based on our audit. We conducted our audit in accordance with the Guidance Note and the Standards on Auditing, issued by ICAI and deemed to be prescribed under Section 143(10) of the Act, to the extent applicable to an audit of internal financial controls, both issued by the ICAI. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls with reference to the consolidated Ind AS financial statements was established and maintained and if such controls operated effectively in all material respects.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the internal financial controls with reference to the consolidated Ind AS financial statements of the Holding Company and its subsidiary company incorporated in India.

**Meaning of Internal Financial Controls with reference to the consolidated Ind AS financial statements**

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

**Inherent Limitations of Internal Financial Controls with reference to the consolidated Ind AS financial statements**

Because of the inherent limitations of internal financial controls with reference to the consolidated Ind AS 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 the consolidated Ind AS financial statements to future periods are subject to the risk that the internal financial control with reference to the consolidated Ind AS financial statements may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

**Opinion**

In our opinion, the Holding Company and its subsidiary company which is incorporated in India, have, in all material respects, an adequate internal financial controls system with reference to the consolidated Ind AS financial statements and such internal financial controls with reference to the consolidated Ind AS financial statements were operating effectively as at 31 March 2018, based on the internal control with reference to the consolidated Ind AS financial statements criteria established by the respective companies considering the essential components of internal control stated in the Guidance Note issued by the ICAI.

*for* **B S R & Co. LLP**
*Chartered Accountants*
Firm's Registration No.: 101248W/W-100022

**Supreet Sachdev**
*Partner*
Membership No.: 205385

Place: Bengaluru
Date: 25 May 2018

# CONSOLIDATED BALANCE SHEET

**Himatsingka Seide Limited** | As at 31 March, 2018

**(₹ Lacs)**

| | Note | As at 31 March 2018 | As at 31 March 2017 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 3.1 | 183,043.72 | 86,953.17 |
| Capital work-in-progress | 3.1 | 3,220.57 | 11,293.90 |
| Investment property | 3.3 | 888.95 | 806.94 |
| Goodwill | 4 | 35,103.69 | 34,141.58 |
| Other intangible assets | 3.2 | 4,504.52 | 5,243.73 |
| Financial assets | | | |
| (a) Investments | 5 | 670.56 | 18.97 |
| (b) Loans | 6 | 140.18 | 99.89 |
| (c) Other non-current financial assets | 7 | 2,066.15 | 3,626.93 |
| Deferred tax assets, (net) | 8.2 | 3,141.76 | 3,744.26 |
| Income tax assets, (net) | 8.1 | 888.28 | 792.92 |
| Other non-current assets | 9 | 11,988.38 | 20,108.38 |
| **Total non-current Assets** | | **245,656.76** | **166,830.67** |
| **Current assets** | | | |
| Inventories | 10 | 99,026.94 | 75,388.08 |
| Financial assets | | | |
| (a) Investments | 5 | 11,893.12 | - |
| (b) Trade receivables | 11 | 9,909.52 | 6,827.37 |
| (c) Cash and cash equivalents | 12 | 10,988.28 | 5,937.93 |
| (d) Bank balances other than cash and cash equivalents above | 12 | 2,483.68 | 12,421.46 |
| (e) Current loans | 6 | 125.91 | 199.61 |
| (f) Other current financial assets | 7 | 16,790.59 | 8,488.41 |
| Other current assets | 9 | 20,863.65 | 9,671.26 |
| Assets held for sale | 13 | 4,156.24 | 3,572.59 |
| **Total current assets** | | **176,237.93** | **122,506.71** |
| **Total Assets** | | **421,894.69** | **289,337.38** |

# CONSOLIDATED BALANCE SHEET

**Himatsingka Seide Limited** | As at 31 March, 2018

**(₹ Lacs)**

| | Note | As at 31 March 2018 | As at 31 March 2017 |
|---|---|---|---|
| **EQUITY AND LIABILITIES** | | | |
| **Equity** | | | |
| Equity share capital | 14 | 4,922.86 | 4,922.86 |
| Other equity | 15 | 117,830.41 | 101,803.23 |
| **Total equity** | | **122,753.27** | **106,726.09** |
| **Liabilities** | | | |
| **Non-current liabilities** | | | |
| Financial liabilities | | | |
| (a) Non-current borrowings | 16 | 121,652.34 | 73,977.99 |
| Non-current provisions | 17 | 1,464.04 | 1,450.99 |
| Deferred tax liabilities, (net) | 8.2 | 793.44 | 95.40 |
| Other non-current liabilities | 18 | 22,723.32 | 5,524.01 |
| **Total non-current liabilities** | | **146,633.14** | **81,048.39** |
| **Current liabilities** | | | |
| Financial liabilities | | | |
| (a) Current borrowings | 19 | 94,302.22 | 60,879.93 |
| (b) Trade payables | 20 | 35,114.11 | 26,146.48 |
| (c) Other current financial liabilities | 21 | 14,497.54 | 9,077.55 |
| Current provisions | 17 | 351.50 | 169.83 |
| Current tax liabilities, (net) | 8.1 | 3,025.45 | 1,017.01 |
| Other current liabilities | 18 | 5,217.46 | 4,272.10 |
| **Total current liabilities** | | **152,508.28** | **101,562.90** |
| **Total liabilties** | | **299,141.42** | **182,611.29** |
| **Total equity and liabilities** | | **421,894.69** | **289,337.38** |
| Significant accounting policies | 2 | | |

The notes referred to above form an integral part of the Consolidated Ind AS financial statements

As per our report of even date attached

for **B S R & Co. LLP**
Chartered Accountants
Firm's registration number : 101248W/W-100022

**Supreet Sachdev**
Partner
Membership number : 205385

**Place: Bengaluru**
**Date : 25 May 2018**

for and on behalf of the Board of Directors of
**Himatsingka Seide Limited**

**D.K. Himatsingka**
Executive Chairman
DIN: 00139516

**Shrikant Himatsingka**
Managing Director & CEO
DIN: 00122103

**K.P.Rangaraj**
Chief Financial Officer

**Ashok Sharma**
Company Secretary

**Place: Bengaluru**
**Date : 25 May 2018**

# CONSOLIDATED STATEMENT OF PROFIT AND LOSS

**Himatsingka Seide Limited** | For the year ended 31 March, 2018

**(₹ Lacs)**

| | Note | For the year ended 31 March 2018 | For the year ended 31 March 2017 |
|---|---|---|---|
| **Income** | | | |
| Revenue from operations | 22 | 224,905.95 | 213,840.60 |
| Other income | 23 | 1,762.99 | 1,319.18 |
| **Total income** | | **226,668.94** | **215,159.78** |
| **Expenses** | | | |
| Cost of materials consumed | 24 | 78,826.04 | 84,654.00 |
| Purchases of stock-in-trade | 24 | 58,117.24 | 53,055.26 |
| Changes in stock of finished goods, work-in-progress and stock-in-trade | 24 | (18,378.20) | (15,038.46) |
| Employee benefit expense | 25 | 20,911.89 | 19,743.71 |
| Finance costs | 26 | 10,379.72 | 9,352.65 |
| Depreciation and amortisation expense | 27 | 7,194.84 | 5,800.96 |
| Other expenses | 28 | 40,569.30 | 33,656.10 |
| **Total expenses** | | **197,620.83** | **191,224.22** |
| **Profit before share of loss of equity accounted investee and tax** | | **29,048.11** | **23,935.56** |
| Less: Share of loss of equity accounted investee (net of income tax) | | 0.26 | - |
| **Profit before tax** | | **29,047.85** | **23,935.56** |
| Current tax | 34 | 6,387.39 | 3,426.39 |
| Deferred tax | 34 | 2,496.96 | 2,298.92 |
| **Income tax expense** | | **8,884.35** | **5,725.31** |
| **Profit for the year** | | **20,163.50** | **18,210.25** |
| **Other comprehensive income** | | | |
| A. Items that will not be reclassified to profit or loss | | | |
| Remeasurements of the defined benefit liabilities / (asset) | | 37.89 | (217.21) |
| Income tax relating to items that will not be reclassified to profit or loss | | (13.24) | 75.17 |
| B. Items that may be reclassified to profit or loss | | | |
| Exchange differences in translating the financial statements of foreign operations | | 1,446.40 | (1,002.47) |
| Net change in fair value of hedging instruments in a cash flow hedge | | (4,079.48) | 3,464.23 |
| Income tax relating to items that may be reclassified to profit or loss | | 1,428.47 | (998.40) |
| **Other comprehensive income for the year, net of income tax** | | **(1,179.95)** | **2,146.78** |
| **Total comprehensive income for the year** | | **18,983.55** | **20,357.03** |
| **Earnings per equity share (face value of ₹ 5 each)** | | | |
| **Basic and diluted (in ₹)** | 35 | **20.48** | **18.50** |
| Significant accounting policies | 2 | | |

The notes referred to above form an integral part of the Consolidated Ind AS financial statements

As per our report of even date attached

for **B S R & Co. LLP**
Chartered Accountants
Firm's registration number : 101248W/W-100022

**Supreet Sachdev**
Partner
Membership number : 205385

**Place: Bengaluru**
**Date : 25 May 2018**

for and on behalf of the Board of Directors of
**Himatsingka Seide Limited**

**D.K. Himatsingka**
Executive Chairman
DIN: 00139516

**Shrikant Himatsingka**
Managing Director & CEO
DIN: 00122103

**K.P.Rangaraj**
Chief Financial Officer

**Ashok Sharma**
Company Secretary

**Place: Bengaluru**
**Date : 25 May 2018**

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH, 2018

| Particulars | ₹ Lacs |
|---|---|
| **A. Equity Share Capital** | |
| **Balance as at 1 April 2016** | **4,922.86** |
| Changes in equity share capital during the year | - |
| **Balance as at 31 March 2017** | **4,922.86** |
| Changes in equity share capital during the year | - |
| **Balance as at 31 March 2018** | **4,922.86** |

**B. Other Equity**

| | Reserves and surplus (Refer. Note 15) | | | | | | | Other Comprehensive Income | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Particulars | Capital reserve on consolida-tion | Capital reserve | Securities premium reserve | General reserve | Legal reserve | Debenture redemption reserve | Retained earnings | Effective portion of cash flow hedge | Foreign currency translation reserve | Remeasurement of net defined benefit liability or asset | Total Other Equity |
| **Balance as at 1 April 2016** | **66.74** | **620.88** | **27,675.71** | **16,470.17** | **8.01** | **800.00** | **36,178.11** | **826.47** | **1,493.87** | **(90.16)** | **84,049.80** |
| Profit for the year | - | - | - | - | - | - | 18,210.25 | - | - | - | 18,210.25 |
| Other comprehensive income for the year, net of income tax | - | - | - | - | - | - | - | 2,265.33 | (801.97) | (142.04) | 1,321.32 |
| Payment of dividends, including dividend distribution tax | | - | - | - | - | - | (1,777.53) | - | - | - | (1,777.53) |
| Transfer to general reserve | - | - | - | 400.00 | - | (400.00) | - | - | - | - | - |
| Foreign exchange differences | | - | | - | (0.62) | - | - | - | - | - | (0.62) |
| Balance as at 31 March 2017 | 66.74 | 620.88 | 27,675.71 | 16,870.17 | 7.39 | 400.00 | 52,610.83 | 3,091.80 | 691.90 | (232.20) | 101,803.22 |
| Balance as at 1 April 2017 | **66.74** | **620.88** | **27,675.71** | **16,870.17** | **7.39** | **400.00** | **52,610.83** | **3,091.80** | **691.90** | **(232.20)** | **101,803.22** |
| Profit for the year | | - | - | - | - | - | 20,163.50 | - | - | - | 20,163.50 |
| Other comprehensive income for the year, net of Income tax | - | - | - | 400.00 | - | (400.00) | - | (2,651.01) | 1,446.40 | 24.65 | (1,179.96) |
| Payment of dividends, including dividend distribution tax | | - | - | - | - | - | (2,957.46) | - | - | - | (2,957.46) |
| Foreign exchange differences | - | - | - | - | 1.11 | - | | - | - | - | 1.11 |
| **Balance as at 31 March 2018** | **66.74** | **620.88** | **27,675.71** | **17,270.17** | **8.50** | **-** | **69,816.87** | **440.79** | **2,138.30** | **(207.55)** | **117,830.41** |

Significant accounting policies (Refer Note 2)

The notes referred to above form an integral part of the Consolidated Ind AS financial statements

As per our report of even date attached

for **B S R & Co. LLP**
Chartered Accountants
Firm's registration number : 101248W/W-100022

**Supreet Sachdev**
Partner
Membership number : 205385

**Place: Bengaluru**
**Date : 25 May 2018**

for and on behalf of the Board of Directors of
**Himatsingka Seide Limited**

**D.K.Himatsingka**
Executive Chairman
DIN: 00139516

**Shrikant Himatsingka**
Managing Director & CEO
DIN: 00122103

**K.P.Rangaraj**
Chief Financial Officer

**Ashok Sharma**
Company Secretary

**Place: Bengaluru**
**Date : 25 May 2018**

# CONSOLIDATED STATEMENT OF CASH FLOWS

**Himatsingka Seide Limited** | For the year ended 31 March, 2018

**(₹ Lacs)**

| | Note | For the year ended 31 March 2018 | For the year ended 31 March 2017 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Profit for the year | | 20,163.50 | 18,210.25 |
| **Adjustments:** | | | |
| Finance costs | 26 | 10,379.72 | 9,352.65 |
| Interest income | 23.a | (126.34) | (243.08) |
| Net gain on sale of investments in mutual funds | 23.c | (917.43) | (667.79) |
| Net loss/(gain) on disposal of property, plant and equipment | | 49.91 | (259.13) |
| Loss allowance on financial assets, net | 28 | 35.00 | - |
| Amortized value of employee loans and security deposits | | 46.40 | 41.08 |
| Depreciation and amortisation expense | 27 | 7,194.84 | 5,800.96 |
| Net foreign exchange gain on non-operating activities | | 221.43 | 15.81 |
| Rental income from operating lease | | (133.16) | (111.31) |
| Income tax expense | 34 | 8,884.35 | 5,725.31 |
| **Operating cash flows before working capital changes** | | **45,798.22** | **37,864.75** |
| **Changes in operating assets and liabilities** | | | |
| (Increase) in trade and other receivables | | (24,802.55) | (30,355.96) |
| (Increase) in inventories | | (25,170.48) | (16,774.41) |
| (Increase)/Decrease in other assets | | (9,912.74) | 33,515.06 |
| Increase/(Decrease) in trade and other payables | | 21,255.23 | (3,227.77) |
| Increase in provisions | | 1,041.32 | 4,603.43 |
| (Decrease) in other liabilities | | (1,442.07) | (1,406.13) |
| **Cash generated from operations** | | **6,766.93** | **24,218.97** |
| Income taxes paid, net of refund | | (4,817.51) | (5,652.00) |
| **Net cash generated from operating activities (A)** | | **1,949.42** | **18,566.97** |
| **Cash flows from investing activities** | | | |
| Payments to acquire financial assets | | (30,214.56) | (54,265.58) |
| Proceeds on sale of financial assets | | 19,238.87 | 54,933.37 |
| Interest received | | 105.02 | 24.06 |
| Expenditure on property, plant and equipment and intangible assets | | (62,599.24) | (41,553.91) |
| Proceeds from sale of property, plant and equipment | | 245.55 | 792.12 |
| Other deposits | | 9,479.77 | (14,398.85) |
| Investment in equity | | (644.30) | - |
| Income from investment property | | 133.16 | 111.31 |
| **Net cash used in investing activities (B)** | | **(64,255.73)** | **(54,357.48)** |

# CONSOLIDATED STATEMENT OF CASH FLOWS

**Himatsingka Seide Limited** | For the year ended 31 March, 2018

**(₹ Lacs)**

| | Note | For the year ended 31 March 2018 | For the year ended 31 March 2017 |
|---|---|---|---|
| **Cash flows from financing activities** | | | |
| Proceeds from current borrowings | | 32,889.85 | 16,944.28 |
| Proceeds from non-current borrowings | | 67,871.15 | 35,061.39 |
| Repayment of non-current borrowings | | (17,205.91) | (10,629.40) |
| Dividends paid on equity shares | | (2,957.46) | (1,777.51) |
| Proceeds from government subsidy | | 640.67 | 617.87 |
| Interest paid | | (13,904.01) | (10,665.79) |
| **Net cash generated by financing activities** | | **67,334.29** | **29,550.84** |
| **Net increase/(decrease) in cash and cash equivalents** | | **5,027.98** | **(6,239.67)** |
| Cash and cash equivalents at the beginning of the year | | 5,937.93 | 12,184.22 |
| Effects of exchange rate changes on cash and cash equivalent | | 22.37 | (6.62) |
| **Cash and cash equivalents at the end of the year (refer note 12)** | | **10,988.28** | **5,937.93** |
| **Cash and cash equivalents includes bank overdrafts that are repayable on demand and form an integral part of the Company's cash management.** | | | |
| **Components of cash and cash equivalents (refer note 12)** | | | |
| **Cash and cash equivalents** | | | |
| Cash in hand | | 52.02 | 31.71 |
| Balance with banks | | | |
| - in current accounts | | 10,936.26 | 5,906.22 |
| - in deposit accounts (with original maturity of less than 3 months) | | - | - |
| **Cash and cash equivalents in balance sheet** | | **10,988.28** | **5,937.93** |
| Significant accounting policies | 2 | | |

The notes referred to above form an integral part of the Consolidated Ind AS financial statements

As per our report of even date attached

for **B S R & Co. LLP**
Chartered Accountants
Firm's registration number : 101248W/W-100022

**Supreet Sachdev**
Partner
Membership number : 205385

**Place: Bengaluru**
**Date : 25 May 2018**

for and on behalf of the Board of Directors of
**Himatsingka Seide Limited**

**D.K. Himatsingka**
Executive Chairman
DIN: 00139516

**K.P.Rangaraj**
Chief Financial Officer

**Place: Bengaluru**
**Date : 25 May 2018**

**Shrikant Himatsingka**
Managing Director & CEO
DIN: 00122103

**Ashok Sharma**
Company Secretary

**Reporting Entity**

Himatsingka Seide Limited ("the Company") together with its subsidiaries (including step subsidiaries) collectively referred to as ("the Group") is incorporated and domiciled in India. The Company is a public limited company incorporated in India and listed on Bombay Stock Exchange and National Stock Exchange. The Company is primarily engaged in manufacturing of home textiles, mainly bedding, drapery and upholstery products made of cotton, silk and blends. The Group is a vertically integrated home textile Group that manufactures, retails and distributes bedding, bath, drapery, upholstery and lifestyle accessory products. The Group operates two manufacturing facilities in India and retail and distribution businesses across North America, Europe and Asia.

The registered office of the Company is 10/24, Kumara Krupa Road, High Grounds, Bengaluru – 560 001.

**Note 1 : Basis of preparation**

**1.1 Statement of Compliance**

These consolidated financial statements have been prepared in accordance with Indian Accounting Standards ("Ind AS") as per the Companies (Indian Accounting Standards) Rules 2015 notified under Section 133 of the Companies Act 2013 ('the Act') and other relevant provisions of the Act.

Accounting policies have been consistently applied except where a newly issued Indian Accounting Standard is initially adopted or a revision to an existing Indian Accounting Standard requires a change in the accounting policy hitherto in use.

The Group's consolidated Ind AS financial statements were approved by the Company's Board of Directors on 25 May 2018.

**1.2 Functional and presentation currency**

These consolidated financial statements are presented in India Rupees (₹), which is also the Group's functional currency. All amounts have been presented in rupees in lakhs and rounded off upto two decimals.

**1.3 Basis of measurement**

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies below.

**1.4 Use of estimate and judgement**

The preparation of Consolidated Ind AS financial statements in conformity with Ind AS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. They are based on historical experience and other factors that are believed to be reasonable under the circumstance. Revisions to accounting estimates are recognised prospectively.

**Assumptions and estimation uncertainties**

Information about assumptions, judgements and estimations that have a significant risk of resulting in a material adjustment in the year ending 31 March 2018 is summarized below:

- note 3 - useful life of property, plant and equipment and intangible assets;
- note 34 - recognition of deferred tax asset: availability of future taxable profit against which tax losses carried forward can be used;
- note 17 and 25 - recognition and measurement of provisions and contingencies: key assumptions about the likelihood and magnitude of an outflow of resources.
- note 17 - measurement of defined benefit obligation: key actuarial assumptions;
- note 5, 6, 7, 11 and 36 - impairment of financial assets

**1.5 Measurement of fair values**

Certain accounting policies and disclosures of the Group require the measurement of fair values, for both financial and non-financial assets and liabilities.

Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

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

**Level 2** inputs are 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) ; and
**Level 3** inputs for the asset or liability that are not based on observable market data (unobservable inputs).

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

**Further information about the assumptions made in measuring fair values is included in the following notes:**

- note 36 : financial instruments.

**Note 2 : Significant accounting policies**

**2.1 Basis of consolidation**

The Company consolidates all entities which are controlled by it.

The Company establishes control when; it has power over the entity, is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect the entity's returns by using its power over relevant activities of the entity.

Entities controlled by the Company are consolidated from the date control commences until the date control ceases.

All inter-company transactions, balances and income and expenses are eliminated in full on consolidation.

Changes in the Company's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amount of the Company's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to shareholders of the Company.

**2.2 Business Combination**

The Group accounts for its business combinations under acquisition method of accounting. Acquisition related costs are recognised in the statement of profit and loss as incurred. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the condition for recognition are recognised at their fair values at the acquisition date.

Purchase consideration paid in excess of the fair value of net assets acquired is recognised as goodwill. Where the fair value of identifiable assets and liabilities exceed the cost of acquisition, after reassessing the fair values of the net assets and contingent liabilities, the excess is recognised as capital reserve.

The interest of non-controlling shareholders is initially measured either at fair value or at the non-controlling interests' proportionate share of the acquiree's identifiable net assets. The choice of measurement basis is made on an acquisition-by-acquisition basis. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity of subsidiaries.

Business combinations arising from transfers of interests in entities that are under common control are accounted at historical cost. The difference between any consideration given and the aggregate historical carrying amounts of assets and liabilities of the acquired entity are recorded in shareholders' equity.

**2.3 Goodwill**

Goodwill represents the cost of business acquisition in excess of the Group's interest in the net fair value of identifiable assets, liabilities and contingent liabilities of the acquiree. When the net fair value of the identifiable assets, liabilities and contingent liabilities acquired ("net assets") exceeds the cost of business acquisition, the excess of net assets over cost of business acquisition is recognised immediately in capital reserve. Goodwill is measured at cost less accumulated impairment losses.

**2.4 Subsidiaries**

Subsidiaries are the entities controlled by the Group. The Consolidated Ind AS financial statements comprise the financial statements of the Company and its subsidiaries as disclosed in Note 41. Control exists when the parent has power over an investee, exposure or rights to, or has variable returns from its involvement with the investee and has the ability to affect those returns through its power over the entity. Power is demonstrated through existing rights that give the ability to direct relevant activities, those which significantly affect the entity's returns. The Financial statement of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date control ceases.

The financial statements of the Group Companies are consolidated on a line-by-line basis and intra-group balances and transactions including unrealized gain / loss from such transactions are eliminated upon consolidation. The financial statements are prepared by applying uniform policies in use at the Group.

**2.5 Revenue Recognition**

Revenue is recognized to the extent that it is probable that the economic benefits associated with the transaction will flow to the entity and revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and is inclusive of excise duty and net of taxes and duties collected on behalf of the government.

Revenue from the sale of goods and sale of scrap in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. This inter alia involves discounting of the consideration due to the present value if payment extends beyond normal credit terms. Revenue is recognized when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing effective control over, or managerial involvement with, the goods, and the amount of revenue can be measured reliably.

The timing of transfers of risks and rewards varies depending on the individual terms of sale.
Income from government incentives are recognized in the statement of profit and loss account when the right to receive credit as per the terms of the entitlement is established in respect of exports made (Also refer note 2.9 below).

**2.6 Other Income**

Other income comprises interest income on deposits, dividend income and gain/ (losses) on disposal of financial assets and non-financial assets. Interest income is recognised using the effective interest method.

The 'effective interest rate' is the rate the exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- The gross carrying amount of the financial asset; or
- The amortised cost of the financial liability.

Dividend Income from investments is recognised when the shareholder's right to receive payment has been established.

**2.7 Leases**

Leases of property, plant and equipment that transfer to the group substantially all the risks and rewards of ownership are classified as finance leases. The leased assets are measured initially at an amount equal to lower of their fair value and the present value of the minimum lease payments. Subsequent to initial recognition the assets are accounted for in accordance with the accounting policy applicable to similar owned assets.

Leases in which a significant portion of risk and rewards of ownership are not transferred to the group as lessee are classified as operating lease. Payments made under operating leases (net of any incentives received from the lessor) are charged to the consolidated statement of profit and loss on a straight line over period of lease unless the payments are structured to increase in line with expected general inflation to compensate for the lessor's expected inflationary cost increases.

**2.8 Borrowings and borrowing cost**

Borrowing costs are interest and other costs (including exchange differences relating to foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs) incurred in connection with the borrowing of funds. Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur.

**2.9 Government grants**

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and the Company will comply with all attached conditions. When the grant relates to revenue, it is recognised in the statement of profit and loss on a systematic basis over the periods to which they relate. When the grant relates to an asset, it is treated as deferred income and recognised in the statement of profit and loss on a systematic basis over the useful life of the asset.

**2.10 Employee benefits**

**a. Defined benefit plans**

The Group's gratuity plan is a defined benefit plan. The present value of gratuity obligation under such defined benefit plans is determined based on actuarial valuations carried out by an independent actuary using the Projected Unit Credit Method, which recognizes each period of service as giving rise to additional unit of employee benefit entitlement and measure each unit separately to build up the final obligation. The obligation is measured at the present value of estimated future cash flows. The discount rates used for determining the present value of obligation under defined benefit plans, is based on the market yields on Government securities as at the balance sheet date, having maturity periods approximating to the terms of related obligations.

Actuarial gains or losses are recognized in other comprehensive income. Further, the statement of profit and loss does not include an expected return on plan assets. Instead net interest recognized in profit or loss is calculated by applying the discount rate used to measure the defined benefit obligation to the net defined benefit liability or asset. The actual return on plan assets above or below the discount rate is recognized as part of re-measurement of net defined liability or asset through other comprehensive income.

Re-measurements comprising actuarial gains or losses and return on plan assets (excluding amounts included in net interest on the net defined benefit liability) are not reclassified to profit or loss in subsequent periods.

The Group's gratuity scheme is administered through a third party trust and the provision for the same is determined on the basis of actuarial valuation carried out by an independent actuary. Provision is made for the shortfall, if any, between the amounts required to be contributed to meet the accrued liability for gratuity as determined by actuarial valuation and the available corpus of the funds.

**b. Short term employee benefits**

All employee benefits falling due wholly within twelve months of rendering the services are classified as short-term employee benefits, which include benefits like salaries, wages, short-term compensated absences and performance incentives and are recognised as expenses in the period in which the employee renders the related service.

Short term employee benefits are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid e.g. short term cash bonus, if the Group has a present legal or constructive obligation to pay this amount as a result of past services provided by the employee and the amount of obligation can be estimated reliably.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service ('past service cost' or 'past service gain') or the gain or loss on curtailment is recognized immediately in the statement of profit and loss. The Group recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

**c. Compensated absences**

The employees of the Group are entitled to compensated absence. The employees can carry-forward a portion of the unutilized accumulating compensated absence and utilize it in future periods. The Group records an obligation for compensated absences in the period in which the employee renders the services that increases this entitlement. The obligation is measured on the basis of an independent actuarial valuation using the Projected Unit method as at the reporting date.

**d. Defined contribution plan**

A defined contribution plan is a post-employment benefit plan under which an entity pays specified contributions to a separate entity and has no obligation to pay any further amounts. The Group makes specified monthly contributions towards employee Provident Fund to Government administered Provident Fund Scheme which is a defined contribution plan. The Group'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.

**2.11 Taxation**

Income tax expense comprises current and deferred income tax. Income tax expense is recognized in net profit in the statement of profit and loss except to the extent it relates to items recognized directly in equity, in which case it is recognized in other comprehensive income.

Current income tax for current and prior periods is recognised at the amount expected to be paid to or recovered from the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the reporting date. Deferred income tax assets and liabilities are recognised for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the standalone financial statements except for the cases mentioned below.

Deferred income tax assets and liabilities are measured using tax rates and tax laws that have been enacted or substantively enacted by the reporting date and are expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect of changes in tax rates on deferred income tax assets and liabilities is recognised as income or expense in the period that includes the enactment or the substantive enactment date.

Deferred tax is not recognised for:

- temporary differences arising on the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profits or loss at the time of the transaction.
- temporary investments related to investment in subsidiaries, associates and joint arrangements to the extent that the Company is able to control the timing of reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- taxable temporary difference arising on the initial recognition of goodwill.

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which they can be used. The Company recognises a deferred tax asset only to the extent that it has sufficient taxable temporary differences or there is convincing other evidence that sufficient taxable profits will be available against which such deferred tax can be realised. Deferred tax assets, unrecognised or recognised, are reviewed at each reporting date and are recognised/reduced to the extent that it is probable/no longer probable respectively that the related tax benefit will be realised.

Minimum alternative tax ('MAT') paid in accordance with the tax laws, which gives rise to future economic benefits in the form of adjustment of future tax liability, is considered as an asset if there is convincing evidence that the Company will pay normal income tax in future years. Ind AS 12 defines deferred tax to include carry forward of unused tax credits that are carried forward by the entity for a specified period of time. Accordingly, MAT credit entitlement is grouped with deferred tax assets (net) in the balance sheet.

The Group offsets, the current tax assets and liabilities (on a year on year basis) and deferred tax assets and liabilities, where it has a legally enforceable right and where it intends to settle such assets and liabilities on a net basis.

**2.12 Property, plant and equipment**

**a. Recognition and measurement**:

Items of property, plant and equipment except freehold land held for use in the production, supply or administrative purposes, are measured at cost less accumulated depreciation (which includes capitalised borrowing costs, if any) and accumulated impairment losses, if any.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

Cost of an item of property, plant and equipment comprises its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates, any directly attributable costs of bringing an asset to working condition for its intended use and estimated cost of dismantling and removing the item and restoring the site on which it is located. Costs directly attributable to acquisition are capitalized until the property, plant and equipment are ready for use, as intended by management.

The cost of a self-constructed item of property, plant and equipment comprises the cost of materials, direct labour and any other costs directly attributable to bringing the item to its intended working condition and estimated costs of dismantling, removing and restoring the site on which it is located, wherever applicable.

Assets in the course of construction are capitalised as capital work-in-progress. At the point when an asset is operating at management's intended use, the cost of construction is transferred to the appropriate category of property, plant and equipment and depreciation commences. Costs associated with the commissioning of an asset and any obligatory decommissioning costs are capitalised where the asset is available for use but incapable of operating at normal levels until a period of commissioning has been completed. Revenue generated from production during the trial period are adjusted with cost of capitalization.

Subsequent expenditures relating to property, plant and equipment is capitalized only when it is probable that future economic benefits associated with these will flow to the Company and the cost of the item can be measured reliably. Repairs and maintenance costs are recognized in the statement of profit and loss when incurred. The cost and related accumulated depreciation are eliminated from the financial statements upon sale or retirement of the asset and the resultant gains or losses are recognized in the statement of profit and loss. Assets to be disposed off are reported at the lower of the carrying value or the fair value less cost to sell.

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

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in Statement of Profit and Loss.

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

**b. Depreciation:**

Depreciation is provided on a Straight Line Method ('SLM') over the estimated useful lives of the property, plant and equipment as estimated by the Management and is generally recognised in the Statement of profit and loss.

Depreciation on additions (disposals) is provided on a pro-rata basis i.e. from (upto) the date on which asset is ready for use (disposed of).

The Company has estimated the useful lives for property, plant and equipment as follows:

| Class of assets | Years |
|---|---|
| Buildings | 30 – 60 years |
| Plant and machinery | 8 - 25 years |
| Furniture and fixtures | 10 years |
| Office equipment | 3-6 years |
| Books and catalogues | 4 years |
| Vehicles | 6 -10 years |
| Leasehold improvements | shorter of the lease term and their useful lives |

Freehold land and leasehold land where the lease is convertible to owned land under lease agreements at future dates at no additional cost, are not depreciated.

The Management believes that the useful lives as given best represent the period over which the management expects to use these assets based on an internal assessment and technical evaluation where necessary. Hence, the useful lives for some of these assets is different from the useful lives as prescribed under Part C of Schedule II of the Act.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted if appropriate. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposal are determined by comparing proceeds with carrying amount. These are included in profit or loss within other gains / losses.

**2.13 Goodwill and Other Intangible Assets**

**a) Goodwill**

For measurement of goodwill that arises on a business combination (refer note 5). Subsequent measurement is at cost less any accumulated impairment losses.

**b) Other Intangible Assets**

**Acquired intangible assets**

**i. Recognition and measurement**

Intangible assets that are acquired by the Company are measured initially at cost. After initial recognition, an intangible asset is carried at its cost less any accumulated amortization and any accumulated impairment loss.

**ii. Subsequent measurement**

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including on internally generated software is recognized in profit and loss as and when incurred.

**iii. Amortisation**

The Company amortizes intangible assets with a finite useful life using the straight-line method.
The estimated useful lives of intangibles are as follows:

| Class of asset | Useful life |
|---|---|
| Computer software | 10 years |
| Design costs | 4 years |
| Technical know-how | 10 years |
| Brands and Licenses | 3-5 years |

The residual values, useful lives and method of amortisation of intangible assets are reviewed at each financial year end and adjusted if appropriate.

**iv. Derecognition of intangible assets**

An intangible asset is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal of an intangible asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in Statement of Profit and Loss.

**2.14 Impairment of non-financial assets**

**Goodwill**

Goodwill is tested for impairment on an annual basis and whenever there is an indication that goodwill may be impaired, relying on a number of factors including operating results, business plans and future cash flows. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to the Group's cash generating units (CGU) or groups of CGU's expected to benefit from the synergies arising from the business combination. A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or group of assets. Impairment occurs when the carrying amount of a CGU including the goodwill, exceeds the estimated recoverable amount of the CGU. The recoverable amount of a CGU is the higher of its fair value less cost to sell and its value-in-use. Value-in-use is the present value of future cash flows expected to be derived from the CGU. Total impairment loss of a CGU is allocated first to reduce the carrying amount of goodwill allocated to the CGU and then to the other assets of the CGU pro-rata on the basis of the carrying amount of each asset in the CGU. An impairment loss on goodwill is recognised in the consolidated statement of profit and loss and is not reversed in the subsequent period.

**Intangible assets and property, plant and equipment**

Intangible assets and property, plant and equipment 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 CGU to which the asset belongs.

If such assets/ CGU are considered to be impaired, the impairment to be recognised in the Statement of profit and loss is measured by the amount by which the carrying value of the assets exceeds the estimated recoverable amount of the asset. An impairment loss is reversed in the Statement of profit and loss if there has been a change in the estimates used to determine the recoverable amount.

The carrying amount of the asset/ CGU is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of any accumulated amortisation or depreciation) had no impairment loss been recognised for the asset in prior years.

**2.15 Inventories**

Inventories are measured at the lower of cost and net realizable value.

Cost of inventories comprises purchase price, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. In determining the cost, weighted average cost is used. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs to sell. The comparison of cost and net realizable value is made on an item-by-item basis.

- The method of determination of cost is as follows:
- Raw materials – on a weighted average cost basis
- Stores and spares – on a weighted average cost basis
- Work-in-progress – includes costs of conversion
- Finished goods – includes costs of conversion
- Traded goods – at purchase cost
- Goods in transit – at purchase cost

The net realizable value of work-in-progress is determined with reference to the net realizable value of related finished goods. Raw materials and other supplies held for use in production of inventories 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 realizable value. Fixed production overheads are allocated on the basis of normal capacity of production facilities. The provision for inventory obsolescence is assessed periodically and is provided as considered necessary.

**2.16 Foreign currency transactions and balances**

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign currency denominated monetary assets and liabilities are translated into relevant functional currency at exchange rates in effect at the balance sheet date.

Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognized in the statement of profit and loss.

Non-monetary assets and non-monetary liabilities denominated in foreign currency and measured at fair value are translated at the exchange rate prevalent at the date when the fair value was determined. Non-monetary assets and non-monetary liabilities denominated in a foreign currency and measured at historical cost are translated at the exchange rate prevalent at the date of transaction. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss and are generally recognized in the statement of profit and loss, except exchange differences arising from the translation of the following items which are recognized in OCI:

- equity investments at fair value through OCI (FVOCI)
- a financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; and
- qualifying cash flow hedges to the extent that the hedges are effective.

**2.17 Provisions**

**General**

A provision is recognised if, as a result of a past event, the Company has a present obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are recognised at the best estimate of the expenditure required to settle the present obligation at the reporting date. Provisions are determined by discounting the expected future cash flows (representing the best estimate of the expenditure required to settle the present obligation at the reporting date) at a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the liability. The unwinding of discount is recognised as finance cost. Expected future operating losses are not provided for.

**2.18 Financial Instruments**

**a) Recognition and initial measurement**

Trade receivables and debt securities issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Company becomes a party to the contractual provisions of the instrument.

All financial instruments are recognised initially at fair value. Transaction costs that are attributable to the acquisition of the financial asset (other than financial assets recorded at fair value through profit or loss) are included in the fair value of the financial assets.

**b) Classification and subsequent measurement**

**i. Financial assets**

On initial recognition, a financial asset is classified and measured at

- amortised cost;
- fair value through other comprehensive income (FVOCI) - debt investment;
- fair value through other comprehensive income (FVOCI) - equity investment; or
- fair value through profit and loss (FVTPL)

Financial assets are not classified subsequent to their initial recognition, except if and in the period the Company changes its business model for managing financial assets.

A financial asset is measured at amortised cost if it meets both the following conditions and is not designated as 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 assets give rise on a specified date to cash flows that are solely payments of principal and interest on the principal amounts outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is achieved by both collecting contractual cash flow and selling financial assets ; and
- the contractual terms of the financial assets give rise on a specified date to cash flows that are solely payments of principal and interest on the principal amounts outstanding.

On initial recognition of an equity investment that is not held for trading, the Company irrevocably elects to present subsequent changes in the investment's fair value in OCI (designated as FVOCI-equity investment). This election is made on an investment-to-investment basis.

All financial assets not classified as amortised cost or FVOCI as described above are measured at FVTPL. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL, if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets: Subsequent measurement and gains and losses

| | |
|---|---|
| Financial assets at FVTPL | These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income are recognised in the Statement of profit and loss. |
| Financial assets at amortised cost | These assets are subsequently measured at amortised cost using the effective interest method reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in the Statement of profit and loss. Any gain or loss on derecognition is recognised in the Statement of profit and loss. |
| Debt investments at FVOCI | These assets are subsequently measured at fair value. Interest income under the effective interest method, foreign exchange gains and losses and impairment are recognised in the Statement of profit and loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to the Statement of profit and loss. |
| Equity investments at FVOCI | These assets are subsequently measured at fair value. Dividends are recognised as income in the Statement of profit and loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are not reclassified to the Statement of profit and loss. |

**Impairment of financial assets**

The Company assesses on a forward looking basis the expected credit losses associated with its assets carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Note 34 details how the Company determines whether there has been a significant increase in credit risk.

In accordance with Ind AS 109, the Company applies expected credit loss ("ECL") model for measurement and recognition of impairment loss. The Company follows 'simplified approach' for recognition of impairment loss allowance on financial assets, trade receivables. The application of simplified approach does not require the Company to track changes in credit risk. Rather, it recognises impairment loss allowance based on lifetime ECLs at each reporting date, right from its initial recognition.

For recognition of impairment loss on other financial assets and risk exposure, the Company determines that whether there has been a significant increase in the credit risk since initial recognition. If credit risk has not increased significantly, 12-month ECL is used to provide for impairment loss. However, if credit risk has increased significantly, lifetime ECL is used. If in subsequent period, credit quality of the instrument improves such that there is no longer a significant increase in credit risk since initial recognition, then the Company reverts to recognising impairment loss allowance based on 12 month ECL.

**Derecognition of financial assets**

A financial asset is derecognised only when:

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

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

Where the Company has neither transferred a financial asset nor retains substantially all risks and rewards of ownership of the financial asset, the financial asset is derecognised if the Company has not retained control of the financial asset.

**ii. Financial liabilities**

**Classification, subsequent measurement and gains and losses**

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

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

**Amortised cost**

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the Effective Interest Rate ("EIR") method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in the statement of profit and loss."

**Financial guarantee contracts**

Financial guarantee contracts issued by the Company are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified party fails to make a payment when due in accordance with the terms of a debt instrument. Financial guarantee contracts are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequently, the liability is measured at the higher of the amount of loss allowance determined as per impairment requirements of Ind AS 109 and the amount recognised less cumulative amortisation.

**Derecognition**

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

**Offsetting**

Financial assets and financial liabilities are offset and the net amount presented in the balance sheet when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

**2.19 Derivative financial instruments and hedge accounting**

The Company holds derivative financial instruments to hedge its foreign currency risk exposure.

Derivatives are initially measured at fair value. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognized in the statement of profit and loss.

The Company designates their derivatives as hedge instruments to hedge the variability in cash flows associated with highly probable forecast transactions arising from changes in foreign exchange rates.

At inception of designated hedging relationships, the Company documents the risk management objective and strategy for undertaking the hedge. The Company also documents the economic relationship between the hedged item and the hedging instrument, including whether the changes in cash flows of the hedged item and hedging instrument are expected to offset each other.

**Cash flow hedges**

When a derivative is designated as a cash flow hedging instrument, the effective portion of changes in the fair value of the derivatives is recognized in OCI and accumulated in the other equity under 'effective portion of cash flow hedges'. The effective portion of changes in the fair value of the derivative that is recognized in OCI is limited to the cumulative change in fair value of the hedged item, determined on a present value basis, from inception of the hedge. Any ineffective portion of changes in the fair value of the derivative is recognized immediately in the statement of profit and loss.

When the hedged forecast transaction subsequently results in the recognition of a non-financial item such as inventory, the amount accumulated in other equity is included directly in the initial cost of the non-financial item when it is recognized. For all other hedged forecast transactions, the amount accumulated in other equity is reclassified to the statement of profit and loss in the same period or periods during which the hedged expected future cash flows affect the statement of profit and loss.

If a hedge no longer meets the criteria for hedge accounting or the hedging instruments is sold, expires is terminated or is exercised, then hedge accounting is discontinued prospectively. When hedge accounting for cash flow hedges is discontinued, the amount that has been accumulated in other equity remains there until, for a hedge of a transaction resulting in recognition of a non-financial item, it is included in the non-financial item's cost on its initial recognition or, for other cash flow hedges, it is reclassified to the statement of profit and loss in the same period or periods as the hedged expected future cash flows affect the statement of profit and loss.

If the hedged future cash flows are no longer expected to occur, then the amounts that have been accumulated in other equity are immediately reclassified to the statement of profit and loss.

Changes in fair value of foreign currency derivative instruments not designated as cash flow hedges are recognized in the statement of profit and loss and reported within foreign exchange gains, net within results from operating activities.

**2.20 Earnings per share**

The basic earnings per share is computed by dividing the net profit attributable to owners of the Company for the year by the weighted average number of equity shares outstanding during reporting year.

The number of shares used in computing diluted earnings per share comprises the weighted average shares considered for deriving basic earnings per share and also the weighted average number of equity shares which could have been issued on the conversion of all dilutive potential equity shares.

Dilutive potential equity shares are deemed converted as of the beginning of the reporting date, unless they have been issued at a later date. In computing diluted earnings per share, only potential equity shares that is dilutive and which either reduces earnings per share or increase loss per share are included.

**2.21 Cash and cash equivalents**

Cash and cash equivalents include cash in hand, demand deposits with banks and other short-term highly liquid investments with original maturities of three months or less.

For the purpose of cash flow statement, cash and cash equivalent includes cash in hand, in banks, demand deposits with banks and other short-term highly liquid investments with original maturities of three months or less, net of outstanding bank overdrafts that are repayable on demand and are considered part of the cash management system.

**2.22 Cash flow statement**

Cash flows are reported using the indirect method, whereby net profit before taxes for the period is adjusted for the effects of transactions of a non-cash nature, any deferrals or accruals of past or future operating cash receipts or payments and item of income or expenses associated with investing or financing cash flows. The cash flows from operating, investing and financing activities of the Group are segregated.

**2.23 Contingent liability**

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

**2.24 Standards issued but not yet effective**

On March 28, 2018, the Ministry of Corporate Affairs issued the Companies (Indian Accounting Standards) (Amendments) Rules, 2018, notifying amendments to Ind AS 40, 'Investment Property', Ind AS 21, 'The Effects of Changes in Foreign Exchange Rates, Ind AS 12, 'Income Taxes', Ind AS 28, 'Investments in Associates and Joint Ventures', 'Ind AS 112, ' Disclosure of Interests in Other Entities' and Ind AS 115, 'Revenue from contracts with customers". These amendments maintain convergence with IFRS by incorporating amendments issued by the International Accounting Standards Board (IASB) into Ind AS. The amendments are applicable to the company from 1 April 2018.

**Amendment to Ind AS 40, Investment Property**

The amendment to Ind AS 40 lays down the principle regarding when a Company should transfer to, or from, investment property. Accordingly, a transfer is made only when:

a. There is an actual change of use i.e. an asset meets or ceases to meet the definition of investment property.
b. There is evidence of the change in use.

The impact of the above stated amendment to the Company is Nil as the same is not applicable to the Company.

**Amendment to Ind AS 21, The Effects of Changes in Foreign Exchange Rates**

Appendix B to Ind AS 21, Foreign currency transactions and advance consideration clarifies the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income, when an entity has received or paid advance consideration in a foreign currency.

The Company is in process of evaluating the effect of this on the standalone financial statements and expects the impact to be not material.

**Amendment to Ind AS 12, Income Taxes**

The amendment to Ind AS 12 considers that:

a. Tax law determines which deductions are offset against taxable income in determining taxable income in determining taxable profits.
b. No deferred tax asset is recognised if the reversal of the deductible temporary difference will not lead to tax deductions.

The Company is evaluating the effect of this on the standalone financial statements and expects the impact to be not material.

**Amendment to Ind AS 28, Investments in Associates and Joint Ventures**

The amendment to Ind AS 28 clarifies that a venture capital organisation, or a mutual fund, unit trust and similar entities may elect, at initial recognition, to measure investments in an associate or joint venture at fair value through profit or loss separately for each associate or joint venture.

The impact of the above stated amendment to the Company is NIL as the same is not applicable to the Company.

**Amendment to Ind AS 112, Disclosure of Interests in Other Entities**

The amendment to Ind AS 112 provide that the disclosure requirements for interests in other entities also apply to interests that are classified (or included in a disposal group that is classified) as held for sale or as discontinued operations in accordance with Ind AS 105, Non-current Assets Held for Sale and Discontinued Operations.

The impact of the above stated amendment to the Company is NIL as the same is not applicable to the Company.

**Ind AS 115, Revenue from Contracts with Customers:**

Ind AS 115, establishes a comprehensive framework for determining whether, how much and when revenue should be recognised. It replaces existing revenue recognition guidance, including Ind AS 18 Revenue, Ind AS 11 Construction Contracts and Guidance Note on Accounting for Real Estate Transactions. Ind AS 115 is effective for annual periods beginning on or after 1 April 2018 and will be applied accordingly.

The standard permits two possible methods of transition:

- Retrospective approach - Under this approach the standard will be applied retrospectively to each prior reporting period presented in accordance with Ind AS 8 - Accounting Policies, Changes in Accounting Estimates and Errors
- Retrospectively with cumulative effect of initially applying the standard recognised at the date of initial application (Cumulative catch - up approach)

The Group has completed an initial qualitative assessment of the potential impact of the adoption of Ind AS 115 on accounting policies followed in its standalone financial statements. The quantitative impact of adoption of Ind AS 115 on the standalone financial statements in the period of initial application is not expected to be material.

The Group will adopt the standard on 1 April 2018 by using the cumulative catch-up transition method and accordingly the comparatives will not be adjusted.

**Note 3.1 : Property plant and equipment**

(₹ Lacs)

| Particulars | Freehold Land (Refer Note 3.1.1) | Buildings | Buildings - Operating lease | Plant and Machinery | Furniture and Fixtures | Leasehold Improvements | Office Equipments | Vehicles | Books & Catalogues | Total |
|---|---|---|---|---|---|---|---|---|---|---|
| **Cost** | | | | | | | | | | |
| **Balance as at 1 April 2016** | **18,251.80** | **15,952.05** | **26.09** | **64,950.68** | **3,908.71** | **3,484.94** | **4,059.64** | **161.45** | **-** | **110,795.36** |
| Additions | - | 4,425.56 | - | 24,695.30 | 759.14 | 171.17 | 468.89 | 11.97 | 1,031.89 | 31,563.92 |
| Disposals | - | - | - | (1,599.28) | (46.40) | (433.13) | (76.40) | - | (487.88) | (2,643.09) |
| Other Adjustments (refer note 3.1.3) | - | (322.25) | - | (104.99) | (140.60) | (69.20) | (124.54) | (2.56) | - | (764.14) |
| **Balance as at 31 March 2017** | **18,251.80** | **20,055.36** | **26.09** | **87,941.71** | **4,480.85** | **3,153.78** | **4,327.59** | **170.86** | **544.01** | **138,952.05** |
| **Balance as at 1 April 2017** | **18,251.80** | **20,055.36** | **26.09** | **87,941.71** | **4,480.85** | **3,153.78** | **4,327.59** | **170.86** | **544.01** | **138,952.05** |
| Additions | 5,366.59 | 25,412.79 | 13.03 | 67,621.81 | 3,950.33 | 67.49 | 549.25 | 24.30 | - | 103,005.59 |
| Disposals | - | - | - | (461.05) | (32.93) | - | (6.63) | (25.53) | - | (526.15) |
| Other Adjustments (refer note 3.1.3) | - | 396.58 | - | 201.16 | 179.96 | 51.71 | 184.02 | 5.01 | - | 1,018.44 |
| **Balance as at 31 March 2018** | **23,618.39** | **45,864.73** | **39.12** | **155,303.63** | **8,578.21** | **3,272.97** | **5,054.23** | **174.64** | **544.01** | **242,449.93** |
| **Accumulated depreciation:** | | | | | | | | | | |
| **Balance as at 1 April 2016** | **-** | **(823.61)** | **(1.73)** | **(40,544.18)** | **(2,393.53)** | **(1,484.37)** | **(3,573.07)** | **(76.06)** | **-** | **(48,896.55)** |
| Depreciation expense | - | (969.18) | (1.77) | (3,545.00) | (386.64) | (374.88) | (270.89) | (23.87) | (71.52) | (5,643.75) |
| Eliminated on disposal of assets | - | - | - | 1,552.86 | 26.39 | 407.34 | 66.65 | - | 71.15 | 2,124.39 |
| Other Adjustments (refer note 3.1.3) | - | 66.15 | - | 98.67 | 100.62 | 35.12 | 114.98 | 1.49 | - | 417.03 |
| **Balance as at 31 March 2017** | **-** | **(1,726.64)** | **(3.50)** | **(42,437.65)** | **(2,653.16)** | **(1,416.79)** | **(3,662.33)** | **(98.44)** | **(0.37)** | **(51,998.88)** |
| **Balance as at 1 April 2017** | - | **(1,726.64)** | **(3.50)** | **(42,437.65)** | **(2,653.16)** | **(1,416.79)** | **(3,662.33)** | **(98.44)** | **(0.37)** | **(51,998.88)** |
| Depreciation expense | - | (1,125.95) | (17.51) | (4,758.42) | (568.94) | (285.90) | (380.08) | (26.41) | (97.41) | (7,260.63) |
| Eliminated on disposal of assets | - | - | - | 342.31 | 19.73 | - | 8.35 | 25.53 | - | 395.93 |
| Other Adjustments (refer note 3.1.3) | - | (22.45) | - | (188.91) | (143.55) | (13.82) | (170.51) | (3.37) | - | (542.63) |
| **Balance as at 31 March 2018** | **-** | **(2,875.05)** | **(21.01)** | **(47,042.68)** | **(3,345.92)** | **(1,716.51)** | **(4,204.58)** | **(102.69)** | **(97.78)** | **(59,406.21)** |
| **Net carrying amount:** | | | | | | | | | | |
| **As at 31 March 2018** | **23,618.39** | **42,989.68** | **18.11** | **108,260.95** | **5,232.29** | **1,556.45** | **849.66** | **71.95** | **446.23** | **183,043.72** |
| **As at 31 March 2017** | **18,251.80** | **18,328.72** | **22.59** | **45,504.06** | **1,827.69** | **1,736.99** | **665.26** | **72.42** | **543.64** | **86,953.17** |

There has been no impairment losses recognised during the year or previous year.

**Note 3.1.1 :** Freehold land includes ₹ 37.51 lacs (As at 31 March 2017 ₹ 37.51 lacs) (As at 1 April 2016 ₹ 37.51 lacs) being the share in land jointly owned with others.During 2003-04, the Khata in respect of one of the Group's properties was merged with those of other adjacent properties to facilitate better utilization of the property by joint construction and entitlement of proportionate undivided share of the amalgamated property.

**Note 3.1.2 :** Certain property, plant and equipment are pledged against borrowings ,the details relating to which have been described in Note 16.1 pertaining to borrowings.

**Note 3.1.3 :** Other adjustments include exchange fluctuation arising on account of conversion of fixed assets from foreign currency to reporting currency.

**Note 3.1.4 :** During the year, the Group completed the construction of integrated ultra fine count cotton yarn spinning facility and commenced the commercial production on 5 February 2018. Refer note 32 for details of expenses capitalised.

**Note 3.2 : Other intangible assets**

**(₹ Lacs)**

| Particulars | Computer Software | Design Costs | Technical Know-How | Brands & Licenses | Total |
|---|---|---|---|---|---|
| **Cost:** | | | | | |
| **Balance as at 1 April 2016** | **4,397.89** | **330.42** | **-** | **26,343.97** | **31,072.28** |
| Additions | 2,166.23 | - | 324.22 | - | 2,490.45 |
| Disposals | (499.44) | - | - | - | (499.44) |
| Other Adjustments | (134.56) | - | - | (4.46) | (139.02) |
| **Balance as at 31 March 2017** | **5,930.12** | **330.42** | **324.22** | **26,339.51** | **32,924.27** |
| **Balance as at 1 April 2017** | **5,930.12** | **330.42** | **324.22** | **26,339.51** | **32,924.27** |
| Additions | 475.50 | - | 64.21 | - | 539.71 |
| Disposals | (495.82) | - | - | - | (495.82) |
| Other Adjustments | 85.64 | - | (40.44) | - | 45.20 |
| **Balance as at 31 March 2018** | **5,995.43** | **330.42** | **347.99** | **26,339.51** | **33,013.35** |
| **Accumulated amortisation:** | | | | | |
| **Balance as at 1 April 2016** | **(842.31)** | **(50.19)** | **-** | **(26,182.14)** | **(27,074.64)** |
| Amortisation expense | (560.92) | (50.19) | - | (28.88) | (639.99) |
| Disposals | 4.17 | - | - | - | 4.17 |
| Other Adjustments | 28.10 | - | - | 1.82 | 29.92 |
| **Balance as at 31 March 2017** | **(1,370.96)** | **(100.38)** | **-** | **(26,209.20)** | **(27,680.54)** |
| **Balance as at 1 April 2017** | **(1,370.96)** | **(100.38)** | **-** | **(26,209.20)** | **(27,680.54)** |
| Amortisation expense | (898.99) | (168.06) | (32.42) | (28.88) | (1,128.35) |
| Disposals | 324.45 | - | - | - | 324.45 |
| Other Adjustments | (23.64) | (0.76) | - | - | (24.40) |
| **Balance as at 31 March 2018** | **(1,969.13)** | **(269.20)** | **(32.42)** | **(26,238.08)** | **(28,508.84)** |
| **Net carrying amount:** | | | | | |
| **Carrying value as at 31 March 2018** | **4,026.30** | **61.22** | **315.57** | **101.43** | **4,504.52** |
| **Carrying value as at 31 March 2017** | **4,559.16** | **230.04** | **324.22** | **130.31** | **5,243.73** |

There has been no impairment losses recognised during the year or previous year.

**Note No. 3.3 : Investment property**

**(₹ Lacs)**

| Particulars | As at 31 March 2018 | As at 31 March 2017 |
|---|---|---|
| **Cost** | | |
| **Balance at beginning of the year** | **836.92** | **4,893.50** |
| Additions | - | - |
| Disposals | - | - |
| Property reclassified as held for sale | - | (3,722.00) |
| Effect of foreign currency exchange differences | 106.40 | (334.58) |
| **Balance at end of the year** | **943.32** | **836.92** |
| **Accumulated depreciation and impairment** | | |
| **Balance at beginning of the year** | **29.98** | **150.11** |
| Depreciation expense | 24.39 | 24.39 |
| Property reclassified as held for sale | - | (144.02) |
| Effect of foreign currency exchange differences | - | (0.50) |
| **Balance at end of the year** | **54.37** | **29.98** |
| **Net carrying value** | **888.95** | **806.94** |

Refer Note 31

**Note 4 : Goodwill**

**(₹ Lacs)**

| Particulars | As at 31 March 2018 | As at 31 March 2017 |
|---|---|---|
| **Cost** | | |
| Balance at beginning of year | 34,141.58 | 35,254.64 |
| Effect of foreign currency exchange differences | 962.11 | (1,113.06) |
| **Balance at end of year** | **35,103.69** | **34,141.58** |

**Note 4.1 : Allocation of goodwill to cash generating units:**

For the purpose of impairement testing, goodwill acquired in a business combination is allocated to the Group's cash generating unit (CGU) or gorup of CGU's, which benefit from the synergies of the acquisition. The chief operating decision maker reviews the goodwill for any impairment at the operating segment level, which is represented through group of CGU's.

The aggregate carrying amount of goodwill, net of exchange differences allocated to operating segments as follows:

**(₹ Lacs)**

| Particulars | As at 31 March 2018 | As at 31 March 2017 |
|---|---|---|
| Bed-Linens (Manufacturing in India, and US distribution) | 28,724.62 | 28,655.09 |
| Trading in home-textiles with the Bellora Brand | 6,379.07 | 5,486.49 |
| **Total** | **35,103.69** | **34,141.58** |

The recoverable amount of a cash-generating unit is the higher of its fair value less costs of disposal and its value in use. For the purpose of determining fair value of a CGU, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

As of 31 March 2018, the estimated recoverable amount of each of the CGU's exceeded its carrying amount, hence impairment is not triggered. The carrying amount of the CGU was computed by allocating the net assets to operating segments for the purpose of impairment testing.

**Note 5 : Investments**

**(₹ Lacs)**

| Particulars | As at 31 March 2018 | As at 31 March 2017 |
|---|---|---|
| **Note 5.1 : Non-current investments** | | |
| **Unquoted** | | |
| **Investments carried at fair value through profit and loss** | | |
| Investments in equity instruments | 670.56 | 18.97 |
| **Total** | **670.56** | **18.97** |

**Note 5.1A: Details of investments**

**(₹ Lacs)**

| Particulars | As at 31 March 2018 | As at 31 March 2017 |
|---|---|---|
| **Investment in equity instruments** | | |
| Industria e Universita S.r.l. (No. of shares : 13,005,000) (As at 31 March 2017: 13,005,000) | 20.56 | 18.97 |
| Applied DNA Sciences, Inc. (No. of shares: 5,68,182) (As at 31 March 2017: Nil) | 650.00 | - |
| Himatsingka Energy Private limited (No. of shares: 2,600) (As at 31 March 2017: Nil) | 0.26 | - |
| | 670.82 | 18.97 |
| Share of loss of equity accounted investee | (0.26) | - |
| **Total** | **670.56** | **18.97** |

**Note 5.2: Current investments** **(₹ Lacs)**

| Particulars | As at 31 March 2018 | As at 31 March 2017 |
|---|---|---|
| **Investments in mutual funds (Quoted)** | | |
| UTI Banking & PSU Debt Fund Direct Plan Growth | | |
| (No of units:1,943,788.59 (As at 31 March 2017: Nil) | 277.73 | - |
| DHFL Pramerica Low Duration Fund - Direct Plan - Growth | | |
| (No of units: 8,634,683.80 (As at 31 March 2017 :Nil) | 2,109.45 | - |
| Baroda Pioneer Treasury Advantage Fund - Plan B Growth | | |
| (No of units:106,957.11 (As at 31 March 2017: Nil) | 2,211.57 | - |
| Franklin India Ultra Short Bond Fund Super Institutional Plan Direct - Growth | | |
| (No of units: 7,584,676.85 (As at 31 March 2017: Nil) | 1,831.01 | - |
| HDFC Short Term Opportunities Fund - Direct Plan Growth Option | | |
| (No of units:13,802,317.68 (As at 31 March 2017: Nil) | 2,667.08 | - |
| Reliance Medium Term Fund Direct Growth Plan | | |
| (No of units:4,240,246.72 (As at 31 March 2017: Nil) | 1,577.47 | - |
| SBI Savings Fund Direct Plan Growth | | |
| (No of units:4,385,085.54 (As at 31 March 2017: Nil) | 1,218.81 | - |
| **Total** | **11,893.12** | |
| Aggregate carrying amount of quoted investments | 11,893.12 | - |

**Note 6 : Loans** **(₹ Lacs)**

| Particulars | As at 31 March 2018 | As at 31 March 2017 |
|---|---|---|
| **Non-current** | | |
| **Unsecured, considered good** | | |
| Loans to employees | 140.18 | 99.89 |
| **Total** | **140.18** | **99.89** |
| **Current** | | |
| **Unsecured, considered good** | | |
| Loans to employees | 125.91 | 199.61 |
| **Total** | **125.91** | **199.61** |

**Note 7 : Other financial assets** **(₹ Lacs)**

| Particulars | As at 31 March 2018 | As at 31 March 2017 |
|---|---|---|
| **Non-current** | | |
| **Unsecured, considered good** | | |
| Security deposits | 1,609.46 | 1,626.93 |
| Bank deposits (due to mature after 12 months from the reporting date) | 456.69 | 2,000.00 |
| **Total** | **2,066.15** | **3,626.93** |
| **Current** | | |
| **(a) Financial assets at amortised cost** | | |
| **Unsecured, considered good** | | |
| Security Deposits | 136.34 | 58.48 |
| Interest subsidy receivable | 2,064.69 | 1,476.44 |
| Subsidy receivable under various government schemes | 13,375.59 | 1,250.58 |
| Interest receivable | 198.46 | 234.56 |
| **(b) Derivative assets** | 1,015.51 | 5,468.35 |
| **Total** | **16,790.59** | **8,488.41** |

**Note 8 : Tax assets and liabilities** **(₹ Lacs)**

| Particulars | As at 31 March 2018 | As at 31 March 2017 |
|---|---|---|
| **Note 8.1 : Income tax assets and liabilities** | | |
| **Non-current income tax assets** | | |
| Income tax payments made against returns filed / demands received for earlier years | 13,814.95 | 6,715.53 |
| Less: Provisions made in prior years | (12,926.67) | (5,922.61) |
| **Tax refund receivable (net)** | **888.28** | **792.92** |
| **Current tax liabilities** | | |
| Income tax payable | 7,314.91 | 7,581.65 |
| Less: Advance tax and taxes deducted at source | (4,289.46) | (6,564.64) |
| **Tax payable (net)** | **3,025.45** | **1,017.01** |

**Note 8.2 : Deferred tax asset (net)**

The following is the analysis of the net deferred tax asset/(liability) position as presented in the financial statements

**(₹ Lacs)**

| Particulars | As at 31 March 2018 | As at 31 March 2017 |
|---|---|---|
| **Deferred tax liabilities** | | |
| Property, plant and equipments and intangible assets | 16,025.83 | 12,300.68 |
| Fair value impact on investment in subsidiaries | 151.33 | - |
| Cash flow hedge | 208.22 | 1,636.30 |
| Foreign currency translation reserve | 391.38 | 172.97 |
| Goodwill | 3,447.16 | 4,347.26 |
| **Total deferred tax liabilities (A)** | **20,223.93** | **18,457.21** |
| **Deferred tax assets** | | |
| Provision for gratuity and compensated absences | 108.35 | 121.59 |
| MAT credit entitlement | 13,376.68 | 11,764.29 |
| Unadjusted tax losses, including unabsorbed depreciation | 4,131.13 | 6,676.24 |
| Others | 4,956.09 | 3,543.95 |
| **Total deferred tax assets (B)** | **22,572.25** | **22,106.07** |
| **Net deferred tax asset (A - B)** | **(2,348.32)** | **(3,648.86)** |

Refer note 34

**Note 9 : Other Assets**

**(₹ Lacs)**

| Particulars | As at 31 March 2018 | As at 31 March 2017 |
|---|---|---|
| **Non-current** | | |
| Capital advances | 5,025.66 | 13,706.27 |
| Prepayments | 6,935.06 | 6,350.75 |
| Deferred employee benefit | 7.45 | 31.15 |
| Deferred rent | 20.21 | 20.21 |
| **Total** | **11,988.38** | **20,108.38** |
| **Current** | | |
| Advances to suppliers | 1,615.64 | 1,055.10 |
| Balances with government authorities (other than income taxes) | 9,344.17 | 2,203.79 |
| Prepayments | 3,543.81 | 4,465.85 |
| Deferred employee benefit | 3.01 | 7.82 |
| Deferred rent | 47.46 | 72.27 |
| Interest subsidy receivable | 224.52 | 160.52 |
| Income tax refund receivable | - | 13.20 |
| Subsidy receivable under various government schemes | 5,654.54 | 1,654.99 |
| Others | 430.50 | 37.72 |
| **Total** | **20,863.65** | **9,671.26** |

**Note 10: Inventories (Valued at lower of cost and net realizable value)**

**(₹ Lacs)**

| Particulars | As at 31 March 2018 | As at 31 March 2017 |
|---|---|---|
| Raw materials | 10,976.16 | 5,548.50 |
| Work-in-progress | 13,404.14 | 16,822.23 |
| Finished goods | 8,729.01 | 8,273.10 |
| Traded goods | 64,132.93 | 42,792.55 |
| Stores and spares | 1,784.70 | 1,951.70 |
| **Total** | **99,026.94** | **75,388.08** |
| **Included above, goods-in-transit:** | | |
| Raw materials | 3,211.66 | 1,363.50 |
| Finished goods | 575.75 | 543.71 |
| Traded goods | 20,256.10 | 16,960.43 |
| **Total** | **24,043.51** | **18,867.64** |

**Note 11 : Trade receivables**

**(₹ Lacs)**

| Particulars | As at 31 March 2018 | As at 31 March 2017 |
|---|---|---|
| Unsecured, considered good | 12,010.62 | 8,622.72 |
| Less: Allowance for doubtful debts | (2,101.10) | (1,795.35) |
| **Net trade receivables** | **9,909.52** | **6,827.37** |

All trade receivables are 'current'.

**Note 11.1 - Transfer of financial assets**

**i) Factoring:**

The Group sells a substantial portion of its trade receivables to a commercial factor, without recourse, up to maximum credit limits established by the factor for each individual account.

**ii) Bill Discounting:**

At the end of the reporting period, the carrying amount of the trade receivables that have been transferred but have not been derecognized amounted to ₹ 443.39 Lacs and the carrying amount of the associated liability is ₹ 381.49 Lacs. (Refer Note No. 19)

The Group's exposure to credit and currency risk and loss allowances related to trade receivables has been dislcosed in Note 36"

**Note 11.2 :Expected credit loss assessment for Trade Recievables as at 31 March 2017 and 31 March 2018 are as follows:**

The Group establishes an allowance for credit loss that respresents its estimate of expected losses in respect of trade and other receivables based on past and the recent collection trend. The maximum exposure to credit risk as at reporting date is primarily from trade receivables as at 31 March 2018 amounting to ₹ 9,909.52 Lacs (31 March 2017: ₹ 6,827.37 Lacs). The movement in allowance for credit loss in respect of trade and other receivables during the year was as follows

**(₹ Lacs)**

| Particulars | As at 31 March 2018 | As at 31 March 2017 |
|---|---|---|
| Balance as at beginning of the year | (1,795.35) | (1,936.65) |
| Net measurement of loss allowance | (35.00) | - |
| Foreign exchange translation gains and losses | (270.75) | 141.30 |
| **Balance at end of the year** | **(2,101.10)** | **(1,795.35)** |

There is no significant movement in the impairment loss allowance during 2017-18.

**Note 12: Cash and Cash Equivalents**

**(₹ Lacs)**

| Particulars | As at 31 March 2018 | As at 31 March 2017 |
|---|---|---|
| Cash in hand | 52.02 | 31.71 |
| Balance with Banks in current accounts and deposits | | |
| - in current accounts | 10,936.23 | 5,906.22 |
| - in deposit accounts (with original maturity of less than 3 months) | - | - |
| | **10,988.28** | **5,937.93** |
| Other bank balances (Refer Note 12.1) | 46.37 | 22.63 |
| In deposit account (more than 3 months but less than 12 months) (Refer Note 12.2) | 2,437.31 | 12,398.83 |
| | **2,483.68** | **12,421.46** |
| **Total** | **13,471.96** | **18,359.39** |

**Note 12.1 :** Other Bank Balances represent earmarked balances in respect of unpaid dividends and dividend payable.

**Note 12.2 :** The deposits maintained by the Group with banks comprise of time deposits, which can be withdrawn by the Group at any point without prior notice or penalty on the principal.

**Note 13: Assets classified as held for sale**

**(₹ Lacs)**

| Particulars | As at 31 March 2018 | As at 31 March 2017 |
|---|---|---|
| Building ( Refer note 13.1) | 4,156.24 | 3,572.59 |
| **Total** | **4,156.24** | **3,572.59** |

**Note 13.1:** The Group intends to dispose off a portion of its building in Italy, held by its subsidiary, that it no longer utilises in full capacity and has advertised in search of a buyer. No impairment loss was recognised on reclassification of the building as held for sale as at 31 March 2018 as the Group expect that the fair value (estimated based on the recent market prices of similar properties in similar locations) less costs to sell is higher than the carrying amount.

**Note 14 : Share capital**

**(₹ Lacs)**

| Particulars | As at 31 March 2018 | As at 31 March 2017 |
|---|---|---|
| **Authorised** | | |
| 134,000,000 equity shares (31 March 2017: 134,000,000 equity shares) of par value of ₹ 5 each | 6,700.00 | 6,700.00 |
| **Issued** | | |
| 98,496,160 equity shares (31 March 2017: 98,496,160 equity shares) of par value of ₹ 5 each | 4,924.81 | 4,924.81 |
| **Subscribed and fully paid-up** | | |
| 98,457,160 equity shares (31 March 2017: 98,457,160 equity shares) of par value of ₹ 5 each | 4,922.86 | 4,922.86 |
| | **4,922.86** | **4,922.86** |

**Reconciliation of shares outstanding at the beginning and at the end of the reporting period**

| Particulars | 31 March 2018 | | 31 March 2017 | |
|---|---|---|---|---|
| | Number of shares | Amount ₹ Lacs | Number of shares | Amount ₹ Lacs |
| At the commencement of the year | 98,457,160 | 4,922.86 | 98,457,160 | 4,922.86 |
| At the end of the year | 98,457,160 | 4,922.86 | 98,457,160 | 4,922.86 |

**Details of the rights, preferences and restrictions attaching to each class of shares :**

The Company has a single class of equity shares. Accordingly, all equity shares rank equally with regard to dividends and share in the Company's residual assets. The equity shares are entitled to receive dividend as declared from time to time. The voting rights of an equity shareholder on a poll (not on show of hands) are in proportion to its share of the paid-up equity capital of the Company.

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

The Company has not allotted any fully paid equity shares by way of bonus shares nor has bought back any class of equity shares during the period of five years immediately preceeding the balance sheet date nor has issued shares for consideration other than cash.

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

| Particulars | 31 March 2018 | | 31 March 2017 | |
|---|---|---|---|---|
| | Number of shares | Percentage | Number of shares | Percentage |
| Equity shares of ₹ 5 each | | | | |
| - D K Himatsingka | 11,968,000 | 12% | 12,968,000 | 13% |
| - Shrikant Himatsingka | 8,480,964 | 9% | 8,480,964 | 9% |
| - Bihar Mercantile Union Limited | 7,926,000 | 8% | 5,706,000 | 6% |
| - Rajshree Himatsingka | 5,897,260 | 6% | 7,257,260 | 7% |

**Note 15 : Other Equity**

**(₹ Lacs)**

| Particulars | As at 31 March 2018 | As at 31 March 2017 |
|---|---|---|
| Capital reserve on consolidation | 66.74 | 66.74 |
| Capital reserve (Refer note (i) below) | 620.88 | 620.88 |
| Securities premium account (Refer note (ii) below) | 27,675.71 | 27,675.71 |
| General reserve (Refer note (iii) below) | 17,270.17 | 16,870.17 |
| Legal reserve (Refer note (iv) below) | 8.50 | 7.39 |
| Debenture redemption reserve (Refer note (v) below) | - | 400.00 |
| Retained earnings (Refer note (vi) below) | 69,816.87 | 52,610.83 |
| **Reserves and Surplus** | **115,458.87** | **98,251.72** |
| Cash Flow Hedge Reserve | 440.79 | 3,091.80 |
| Foreign currency translation reserve | 2,138.30 | 691.90 |
| Remeasurement of net defined benefit liability or asset | (207.55) | (232.19) |
| **Other comprehensive income** | **2,371.54** | **3,551.51** |
| **Total** | **117,830.41** | **101,803.23** |

**Notes**:

(i) Any profit or loss on purchase, sale, issue or cancellation of the Company's own equity instruments is transferred to capital reserves.
(ii) Amounts received on issue of shares in excess of the par value has been classified as securities premium.
(iii) This represents appropriation of profit by the Company.
(iv) Legal reserve represents the reserve as mandated by the Italian Civil Code.
(v) Reserves created from general reserve for redemption of non convertible debentures.
(vi) Retained earnings comprises of the Group's undistributed earnings after taxes.

(₹ Lacs)

| Particulars | As at 31 March 2018 | As at 31 March 2017 |
|---|---|---|
| **General reserve** | | |
| Opening balance | 16,870.17 | 16,470.17 |
| Add: Transferred from debenture redemption reserve | 400.00 | 400.00 |
| **Total** | **17,270.17** | **16,870.17** |
| **Debenture redemption reserve** | | |
| Opening balance | 400.00 | 800.00 |
| Less: Transferred to general reserve | (400.00) | (400.00) |
| **Total** | **-** | **400.00** |
| **Legal Reserve** | | |
| Opening balance | 7.39 | 8.01 |
| Add/(Less): Foreign exchange difference | 1.11 | (0.62) |
| **Total** | **8.50** | **7.39** |
| **Retained Earnings** | | |
| Opening balance | 52,610.83 | 36,178.11 |
| Add: Profit for the year | 20,163.50 | 18,210.25 |
| Less: Payment of dividends, including dividend distribution tax | (2,957.46) | (1,777.53) |
| **Total** | **69,816.87** | **52,610.83** |
| **Effective Portion of Cash Flow Hedge** | | |
| Opening balance | 3,091.80 | 826.47 |
| Gain/ (loss) arising on changes in fair value of designated portion of hedging instruments entered into for cash flow hedges | 4,728.09 | 8,039.46 |
| Cumulative (gain)/loss arising on changes in fair value of designated portion of hedging instruments reclassified to profit or loss | (8,807.57) | (4,575.23) |
| Income tax related to net gains recognoised in other comprehensive income | 1,428.47 | (1,198.90) |
| **Total** | **440.79** | **3,091.80** |
| **Foreign Currency Translation Reserve** | | |
| Opening balance | 691.90 | 1,493.87 |
| Other Comprehensive Income for the Year, net of income tax | 1,446.40 | (801.97) |
| **Total** | **2,138.30** | **691.90** |
| **Remeasurement of net defined benefit liability or asset** | | |
| Opening balance | (232.20) | (90.16) |
| Other Comprehensive Income for the Year, net of income tax | 24.65 | (142.04) |
| **Total** | **(207.55)** | **(232.20)** |

**Note 16: Non-current borrowings**

(₹ Lacs)

| Particulars | As at 31 March 2018 | As at 31 March 2017 |
|---|---|---|
| **Secured loans: ( refer note 16.1)** | | |
| **Term loans** | | |
| - From banks | 62,999.91 | 41,895.57 |
| - From financial institution | 58,652.43 | 32,042.42 |
| **Total borrowings** | **121,652.34** | **73,977.99** |

**Note 16.1 : Details of non-current borrowings and current maturities of non-current borrowings**

**(₹ Lacs)**

| Particulars | As at 31 March 2018 | | As at 31 March 2017 | | Nature of security | Repayment/ redemption / other terms |
|---|---|---|---|---|---|---|
| | Non-Current | Current | Non-Current | Current | | |
| **i. Debentures (Unsecured)** | | | | | | |
| Non - convertible and redeemable debentures | - | - | - | 399.81 | Unsecured | Four equal annual installments commencing 2 years from the date of issue. The outstanding term as of 31 March 2018 was Nil |
| **Total** | **-** | **-** | **-** | **399.81** | | |
| **ii. Term loans from bank (Secured)** | | | | | | |
| Loan 1 | - | - | 11,518.62 | 1,461.98 | Secured by charge over certain fixed assets and pledge of shares of wholly owned subsidiary. | The loan was completely repaid during the year.The outstanding term as of 31 March 2018 was NIL. |
| Loan 2 | 8,741.07 | 4,453.13 | 12,379.17 | 2,106.96 | First paripassu charge of certain immovable fixed assets. | 20 substantially equal quarterly installments commencing on 31 December 2016. The outstanding term as of 31 March 2018 was 13 installments. |
| Loan 3 | 17,231.87 | 304.28 | 4,308.05 | - | First paripassu charge on entire moveable and immoveable fixed assets of the Hassan and Doddaballapur plant including proposed project assets present and future. | Loan shall be repaid in 39 structured quarterly installments commencing after a moratorium of 12 months from the Scheduled Commercial Operation date (or) actual Commercial Operation date. The outstanding term as of 31 March 2018 was 39 installments. |
| Loan 4 | 8,367.80 | - | 8,321.70 | - | First paripassu charge on Midford garden property & Vittal Mallya road property. | In 3 Yearly installments after initial moratorium of 4 years (yearly % of repayment 25%, 35% & 40%) The outstanding term as of 31 March 2018 was 3 installments. |
| Loan 5 | 3,639.09 | - | - | - | First paripassu charge on entire moveable and immoveable fixed assets of the Hassan and Doddaballapur plant including proposed project assets present and future. | Loan shall be repaid in 39 structured quarterly installments commencing from 31 December 2020 The outstanding term as of 31 March 2018 was 39 installments. |
| Loan 6 | 5,941.03 | 500.00 | - | - | First paripassu charge on entire moveable and immoveable fixed assets of the Hassan and Doddaballapur plant including proposed project assets present and future. | Loan shall be repaid in 16 structured quarterky installments commencing from 31 March 2019. The outstanding term as of 31 March 2018 was 16 installments. |
| Loan 7 | 13,235.29 | - | - | - | First paripassu charge on entire moveable and immoveable fixed assets of the Hassan and Doddaballapur plant including proposed project assets present and future. | In 3 Yearly installments after initial moratorium of 4 years (yearly % of repayment 25%, 35% & 40%) The outstanding term as of 31 March 2018 was 3 installments. |
| Loan 8 | 5,843.76 | 403.17 | 5,368.03 | 173.28 | Secured by Fagnano and Biella properties owned by Bellora and supported by a Corporate Guarantee from HSL | "Euro 22.5 lakhs to be repaid in 14 structured quarterly instalments starting from 31 December 2017 (after a moratorium of 1.5 years). Balance 67.5 lakhs to be repaid at the end of 2020-21.<br>As on 31 March 2018, there are 12 installments outstanding." |
| **Total** | **62,999.91** | **5,660.57** | **41,895.57** | **3,742.22** | | |

The rate of interest on the above term loans is in the range of 4.80% to 9.95% ( Previous Year: 4.65% to 10.25% ).
Interest on these term loans is eligible for government subsidies.

**(₹ Lacs)**

| Particulars | As at 31 March 2018 | | As at 31 March 2017 | | Nature of security | Repayment/ redemption / other terms |
|---|---|---|---|---|---|---|
| | Non-Current | Current | Non-Current | Current | | |
| **iii. Term loan from financial Institutions (Secured)** | | | | | | |
| Loan 1 | 469.35 | 375.80 | 845.20 | 313.67 | Secured by charge over certain moveable and immovable fixed assets, both present and future. | 33 Quarterly installments commencing 2 years from the date of first disbursement. The outstanding term as of 31 March 2018 was 9 installments. |
| Loan 2 | 1,174.10 | 250.00 | 1,424.15 | 245.56 | First paripassu charge on entire moveable and immoveable fixed assets of the Hassan and Doddaballapur plant including proposed project assets present and future. | 32 equal quarterly installments commencing after a moratorium of 1 year from the date of Commencement of Commercial Operation (COD). The outstanding term as of 31 March 2018 was 23 installments. |
| Loan 3 | 1,918.58 | 357.14 | 2,360.45 | - | First paripassu charge on entire moveable and immoveable fixed assets of the Hassan and Doddaballapur plant including proposed project assets present and future. | 28 substantially equal quarterly installments commencing after a moratorium of 2 years from Scheduled Commercial Operation Date (SCOD) or Actual Commercial Operation Date (COD). The outstanding term as of 31 March 2018 was 27 installments. |
| Loan 4 | 16,462.74 | 923.07 | 16,843.48 | 441.93 | First paripassu charge on entire moveable and immoveable fixed assets of the Hassan and Doddaballapur plant including proposed project assets present and future. | 39 substantially equal quarterly installments commencing after a moratorium of 1 year from Scheduled Commercial Operation Date (SCOD) or Actual Commercial Operation Date (COD) which ever is earlier. The outstanding term as of 31 March 2018 was 37 installments . |
| Loan 5 | 31,330.33 | 1,712.82 | 7,427.10 | 444.31 | First paripassu charge on entire moveable and immoveable fixed assets of the Hassan and Doddaballapur plant including proposed project assets present and future. | Loan shall be repaid in 39 structured quarterly installments commencing after a moratorium of 12 months from the Scheduled Commercial Operation date (or) actual Commercial Operation date which ever is earlier. The outstanding term as of 31 March 2018 was 39 installments. |
| Loan 6 | 7,062.10 | - | 2,665.19 | - | First paripassu charge on entire moveable and immoveable fixed assets of the Hassan and Doddaballapur plant including proposed project assets present and future. | Loan shall be repaid in 40 structured quarterly installments commencing after a moratorium of 2 years from the date of first disbursement. The outstanding term as of 31 March 2018 was 40 installments. |
| Loan 7 | 235.23 | 282.57 | 516.85 | 281.92 | Leasehold improvements at warehouse in Spartunburg, South Carolina | 36 monthly instalments commencing from 1 February 2017. The outstanding term as of 31 March 2018 was 22 instalments. |
| **Total** | **58,652.43** | **3,901.40** | **32,082.42** | **1,727.39** | | |

The rate of interest on the above term loans is in the range of 9.95% to 11.05%( Previous year 10.2% to 11.55% ).
Interest on these term loans is eligible for government subsidies.

**Note 17 : Provisions**

**(₹ Lacs)**

| Particulars | As at 31 March 2018 | As at 31 March 2017 |
|---|---|---|
| **Non-current** | | |
| Provision for gratuity (Refer Note 17.1) | 1,303.09 | 1,108.75 |
| Provision for compensated absences | 160.95 | 342.24 |
| **Total** | **1464.04** | **1450.99** |
| **Current** | | |
| Provision for compensated absences | 351.50 | 169.83 |
| **Total** | **351.50** | **169.83** |

**Note 17.1 : Employee Benefit**

The Group operates the following post-employment defined benefit plan.

**Defined benefit plan**

The Group operates post-employment defined benefit plan that provide gratuity, governed by the Payment of Gratuity Act, 1972. Employees who are in continuous service for a period of 5 years are eligible for gratuity. The amount of gratuity payable on retirement/termination is the employees last drawn basic salary per month computed proportionately for 15 days salary multiplied for the number of years of service or part thereof in excess of six months. The gratuity plan is a funded plan.

These defined benefit plans expose the Group to actuarial risks, such as longevity risk, currency risk, interest rate risk and market (investment) risk.

**(A) Funding**

The Group's gratuity scheme for employees is administered through third party trust. The funding requirements are based on the gratuity fund's actuarial measurement framework set out in the funding policies of the plan. The funding is based on a separate actuarial valuation for funding purposes for which the assumptions may differ from the assumptions set out in (E). Employees do not contribute to the plan.

The Company expects to pay ₹ 1,361.00 lacs in contributions to its defined benefit plans in 2018-19.

**(B) Reconciliation of net defined benefit liability**

The following table shows a reconciliation from the opening balances to the closing balances for the net defined benefit liability/ assets and its components:

**Reconciliation of present value of defined benefit obligation**

**(₹ Lacs)**

| Particulars | As at 31 March 2018 | As at 31 March 2017 |
|---|---|---|
| **Obligation at the beginning of the year** | 1,644.81 | 1,390.22 |
| Current service cost | 152.82 | 124.68 |
| Interest cost | 110.12 | 104.89 |
| Benefits paid | (142.54) | (141.28) |
| Actuarial (gains)/losses on obligations recognised in Other comprehensive income (OCI) | | |
| - Changes in financial assumptions | (61.39) | 90.21 |
| - Experience adjustments | 28.83 | 76.09 |
| **Obligation at the end of the year** | **1,732.65** | **1,644.81** |
| **Reconciliation of present value of plan assets** | | |
| Plan assets at the beginning of the year, at fair value | 603.20 | 651.71 |
| Expected return on plan assets | 40.39 | 49.17 |
| Employer contributions | 4.59 | 57.50 |
| Benefits paid | (142.55) | (103.98) |
| Return on plan assets, excluding interest income recognised in OCI | 4.99 | (51.20) |
| **Plan assets at the end of the year, at fair value** | **510.61** | **603.20** |
| **Net defined benefit liability** | **1,222.04** | **1,041.61** |

**(C) (i) Expense recognised in the Statement of profit or loss**

**(₹ Lacs)**

| Particulars | As at 31 March 2018 | As at 31 March 2017 |
|---|---|---|
| Service cost | 152.82 | 124.97 |
| Interest cost | 110.02 | 104.89 |
| Expected return on plan assets | (40.39) | (49.17) |
| **Net gratuity cost** | **222.46** | **180.69** |

**(ii) Remeasurement recognised in other comprehensive income**

**(₹ Lacs)**

| Particulars | As at 31 March 2018 | As at 31 March 2017 |
|---|---|---|
| Actuarial loss on defined benefit obligation | (32.56) | 166.30 |
| Return on plan assets, excluding amount recognised in net interest expense | (4.99) | 51.20 |
| **Total (gain) / loss recognised in other comprehensive income** | **(37.54)** | **217.50** |

**(D) Plan assets**

**(₹ Lacs)**

| Particulars | As at 31 March 2018 | As at 31 March 2017 |
|---|---|---|
| Insurance fund | 510.61 | 603.20 |
| **Total** | **510.61** | **603.20** |

**(E) Defined benefit obligation**

**(i) Actuarial assumptions**

**(₹ Lacs)**

| Particulars | For the year ended | |
|---|---|---|
| | 31 March 2018 | 31 March 2017 |
| Discount rate | 7.25% | 6.70% |
| Future salary growth | 6.00% | 6.00% |
| Mortality [IALM 06-08] | 100.0% | 100.0% |
| Attrition rate | 2 - 40% | 2 - 40% |
| Weighted average duration of defined benefit obligation (in years) | 6 | 7 |
| Retirement age (in years) | 58 | 58 |

**Notes:**

(i) The discount rate is based on the prevailing market yield on high quality corporate bonds as at the balance sheet date for the estimated term of obligations.

(ii) The expected return on plan assets is determined considering several applicable factors mainly the composition of the plan assets held, assessed risks of asset management, historical results of the return on plan assets and the Group's policy for plan asset management.

(iii) The estimate of future salary increases considered in actuarial valuation takes into account inflation, seniority, promotion and other relevant factors such as supply and demand in the employment market.

**(ii) Sensitivity Analysis**

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

**(₹ Lacs)**

| | As at 31 March 2018 | As at 31 March 2017 |
|---|---|---|
| Projected Benefit Obligation on Current Assumptions | 1,733 | 1,645 |
| Impact of change in discount rate by +1% | 1,630 | 1,539 |
| Impact of change in discount rate by -1% | 1,848 | 1,765 |
| Impact of change in salary growth rate by +1% | 1,848 | 1,764 |
| Impact of change in salary growth rate by -1% | 1,628 | 1,538 |
| Impact of change in attrition rate by +50% | 1,708 | 1,619 |
| Impact of change in attrition rate by -50% | 1,775 | 1,692 |
| Impact of change in mortality rate by +10% | 1,736 | 1,647 |
| Impact of change in mortality rate by -10% | 1,730 | 1,642 |

**Defined contribution plans:**

The Company's contribution to Provident Fund aggregating to ₹ 465.28 Lacs (31 March 2017: ₹ 572.16 Lacs) and contribution to superannuation fund aggregating to ₹ 11.86 Lacs (31 March 2017: ₹ 15.51 Lacs) has been recognised in the Statement of Profit and Loss under the head employee benefit expense.

**(₹ Lacs)**

| Particulars | For the year ended | |
|---|---|---|
| | 31 March 2018 | 31 March 2017 |
| Provident fund | 465.28 | 572.16 |
| Superannuation fund | 11.86 | 15.51 |

**Note 18: Other Liabilities**

**(₹ Lacs)**

| Particulars | As at 31 March 2018 | As at 31 March 2017 |
|---|---|---|
| **Non-current** | | |
| Deferred Revenue arising from government grant (Refer Note 18.1) | 22,723.32 | 5,524.01 |
| **Total** | **22,723.32** | **5,524.01** |
| **Current** | | |
| Deferred Revenue arising from government grant (Refer Note 18.1) | 2,228.14 | 1,941.22 |
| Advances received from customers | 242.88 | 272.13 |
| Statutory dues | 2,636.73 | 1,991.32 |
| Unpaid Dividend | 64.91 | 22.63 |
| Security deposit received | 44.80 | 44.80 |
| **Total** | **5,217.46** | **4,272.10** |

**Note 18.1 : Deferred Revenue arising from government grant**

The Group has received government grants in the form of import duty exemption and subsidy on purchase of capital goods and purchase of raw materials, to be used for production of goods for exports, based on the terms of the respective schemes. The Group recognises such grants in statement of Profit or Loss on a systematic basis over the period in which the related expenses (the related costs for which the grants are intended to compensate) are incurred and charged to the income statement. The Group has presented such amortisation of deferred income as a deduction from the related expenses.

**Note 19: Current borrowings**

**(₹ Lacs)**

| Particulars | As at 31 March 2018 | As at 31 March 2017 |
|---|---|---|
| **Secured borrowings** | | |
| **Loans repayable on demand** | | |
| - From banks (Refer Note 19.1 and Note 19.2 below) | 75,063.17 | 44,809.27 |
| - Bill discounting | 19,239.05 | 16,070.66 |
| **Total** | **94,302.22** | **60,879.93** |

**Note 19.1 :** The weighted average effective interest rate on the bank loans is 4.51 % per annum (5.70 % as at March 31, 2017).

**Note 19.2 :** Working capital limits are secured against present and future stock and trade receivables on pari-passu basis.

Information about the Group's exposure to interest rate, currency and liquidity risk are disclosed in note 36.

**Note 20 : Trade payables**

**(₹ Lacs)**

| Particulars | As at 31 March 2018 | As at 31 March 2017 |
|---|---|---|
| Trade payables (Refer Note - 20.1) | 35,114.11 | 26,146.48 |
| **Total** | **35,114.11** | **26,146.48** |

All trade payables are current.

The Group's exposure to currency and liquidity risk are disclosed in note 36.

**(₹ Lacs)**

| **Note 20.1 : Disclosures required under Section 22 of the Micro, Small and Medium Enterprises Development Act, 2006** | | |
|---|---|---|
| Information related to micro, small and medium enterprises | | |
| (i) Principal amount remaining unpaid to any supplier as at the end of the accounting year | 550.22 | 685.22 |
| (ii) Interest due thereon remaining unpaid to any supplier as at the end of the accounting year | - | - |
| (iii) The amount of interest paid along with the amounts of the payment made to the supplier beyond the appointed day | 686.31 | 148.47 |
| (iv) The amount of interest due and payable for the year | 21.75 | 1.12 |
| (v) The amount of interest accrued and remaining unpaid at the end of the accounting year | 1.28 | 1.25 |
| (vi) The amount of further interest due and payable even in the succeeding year, until such date when the interest dues as above are actually paid | - | - |

**Note 21 : Other financial liabilities**

**(₹ Lacs)**

| Particulars | As at 31 March 2018 | As at 31 March 2017 |
|---|---|---|
| Current maturities of non-current borrowing (Refer Note 16.1) | 9,561.97 | 5,869.40 |
| Interest accrued but not due on borrowings | 211.70 | 485.97 |
| Capital creditors | 2,342.04 | 1,163.61 |
| Retention money | 1,067.52 | - |
| Employee related liabilities | 897.80 | 818.57 |
| Derivative liability | 416.51 | 740.00 |
| **Total** | **14,497.54** | **9,077.55** |

**Note 22 : Revenue from operations**

**(₹ Lacs)**

| Particulars | For the year ended 31 March 2018 | For the year ended 31 March 2017 |
|---|---|---|
| Revenue from sale of goods | 210,262.11 | 203,595.12 |
| Other operating revenue (refer note 22.1 below) | 14,643.84 | 10,245.48 |
| **Total revenue from operations** | **224,905.95** | **213,840.60** |
| **Note 22.1 : Other operating revenue comprises:** | | |
| Sale of power | - | 407.66 |
| Sale of waste and scrap (Refer Note 22.2 below) | 1,380.62 | 1,151.31 |
| Income under government incentive schemes | 12,192.86 | 6,877.30 |
| Marketing fee | - | 333.85 |
| Commission income | 641.79 | 733.33 |
| Royalty income | 290.03 | 695.48 |
| Miscellaneous income | 138.54 | 46.55 |
| **Total** | **14,643.84** | **10,245.48** |

**Note 22.2**

Scrap sales includes sale of ₹ Nil out of the trial production during the year. ( Previous year : ₹ 212.68 Lacs)

**Note 23 : Other income**

**(₹ Lacs)**

| Particulars | For the year ended 31 March 2018 | For the year ended 31 March 2017 |
|---|---|---|
| **a. Interest income** | | |
| Interest from bank deposits | 61.07 | 121.76 |
| Interest on electricity deposits | 7.85 | 50.92 |
| Interest income earned on financial assets that are not designated as at fair value through Profit or Loss (refer note : 23.1) | 57.42 | 70.40 |
| | **126.34** | **243.08** |
| **b. Other non-operating income (net of expenses directly attributable to such income)** | | |
| Operating lease rental income - Investment Property | 133.16 | 104.39 |
| Other operating lease rental income | - | 6.92 |
| Miscellaneous income | 224.99 | 37.87 |
| | **358.15** | **149.18** |
| **c. Other gains and losses** | | |
| Profit on sale of investments in mutual fund | 917.43 | 667.79 |
| Net gain on disposal of property, plant and equipment | - | 259.13 |
| Net foreign exchange gains | 361.07 | - |
| | **1,278.50** | **926.92** |
| **Total** | **1,762.99** | **1,319.18** |

**Note 23.1:**

The interest income earned on financial assets that are not designated as at fair value through profit or loss pertains to interest income earned on account of discounting of the rental deposits.

**Note 24 : Cost of materials consumed and purchases of stock in trade** **(₹ Lacs)**

| Particulars | For the year ended 31 March 2018 | For the year ended 31 March 2017 |
|---|---|---|
| A. Raw material and packing material consumed (Refer note 24.1 below) | 78,826.04 | 84,654.00 |
| B. Purchase of stock-in-trade | 58,117.24 | 53,055.26 |
| **C. Changes in inventories of finished goods, work-in-progress and stock-in-trade** | | |
| Opening stock | | |
| - Work in progress | 16,822.23 | 9,214.07 |
| - Finished goods | 8,273.10 | 1,500.99 |
| - Traded goods | 42,792.55 | 42,134.36 |
| Closing stock : | | |
| - Work in progress | 13,404.14 | 16,822.23 |
| - Finished goods | 8,729.01 | 8,273.10 |
| - Traded goods | 64,132.93 | 42,792.55 |
| **Net (increase) / decrease in inventories of finished goods, work-in-progress and stock-in-trade** | **(18,378.20)** | **(15,038.46)** |

**Note 24.1:** The Raw material and packing material consumed in current year is net off ₹ 4,597.32 Lacs capitalised for trial production. (Previous year : ₹ 1,078.78 lacs) (Refer Note 32(b)).

**Note 25 : Employee benefits expense** **(₹ Lacs)**

| Particulars | For the year ended 31 March 2018 | For the year ended 31 March 2017 |
|---|---|---|
| Salaries, wages and bonus | 18,900.71 | 17,856.17 |
| Contribution to provident and other funds (Refer Note 17.1) | 961.12 | 900.17 |
| Expenses related to post-employment defined benefit plans - gratuity | 222.46 | 180.69 |
| Expenses related to compensated absence | 169.33 | 158.97 |
| Workmen and staff welfare expenses | 1,959.17 | 1,387.95 |
| Less: Expenses capitalized (Refer Note 32(b)) | (1,300.90) | (740.24) |
| **Total** | **20,911.89** | **19,743.71** |

**Note 26 : Finance Cost** **(₹ Lacs)**

| Particulars | For the year ended 31 March 2018 | For the year ended 31 March 2017 |
|---|---|---|
| Interest expense on : | | |
| On Financial Liability at Amortised Cost | | |
| - Interest on term loan [net of subsidy ₹ 2,657.26 Lacs (Previous year: ₹ 803.66 Lacs )](Refer Note 16.1) | 7,174.29 | 5,524.22 |
| - Interest on non-convertible Debentures | 18.50 | 63.15 |
| - Interest on working capital loans (refer note 19.1) | 4,519.02 | 3,300.62 |
| Interest on delayed payment of income taxes | 245.00 | 314.00 |
| Other borrowing costs - Finance charges | 1,688.27 | 1,281.45 |
| Exchange differences regarded as an adjustment to borrowing costs | 53.89 | - |
| | **13,698.97** | **10,483.44** |
| Less: Amounts capitalised as the cost of qualifying assets (Refer Note 32) | (3,319.25) | (1,130.79) |
| **Total** | **10,379.72** | **9,352.65** |

**Note 27 : Depreciation and Amortisation Expense**

**(₹ Lacs)**

| Particulars | For the year ended 31 March 2018 | For the year ended 31 March 2017 |
|---|---|---|
| Depreciation on property, plant and equipment (Refer Note 3.1) | 7,260.63 | 5,643.75 |
| Amortization of intangible assets (Refer Note 3.2) | 1,128.35 | 639.99 |
| Amortization of investment property ( Refer Note 3.3) | 24.39 | 24.39 |
| Less:Amortization of deferred income on government grants (Refer Note 18.1) | (1,218.53) | (507.17) |
| **Total** | **7,194.84** | **5,800.96** |

**Note 28 : Other expenses**

**(₹ Lacs)**

| Particulars | For the year ended 31 March 2018 | For the year ended 31 March 2017 |
|---|---|---|
| Consumption of stores and spare parts | 1,293.40 | 1,183.72 |
| Power and fuel | 8,578.57 | 5,046.34 |
| Job work charges | 1,681.56 | 973.89 |
| Manufacturing expenses- Others | 2,249.43 | 2,388.09 |
| Rent (Refer Note 31) | 3,560.68 | 3,521.40 |
| Travelling and conveyance expenses | 1,989.77 | 1,699.70 |
| Communication expenses | 387.93 | 437.65 |
| Printing and stationery | 219.06 | 173.77 |
| Insurance | 681.81 | 608.49 |
| Repairs and maintenance | | |
| -plant and machinery | 428.14 | 445.90 |
| -buildings | 234.04 | 224.78 |
| -others | 361.09 | 209.48 |
| Rates and taxes | 252.29 | 323.52 |
| Professional and consultancy charges (Refer Note 28.1 below) | 2,325.55 | 2,937.29 |
| Bank charges | 275.91 | 285.65 |
| Expenditure on corporate social responsibilty (CSR) (refer note 28.2 below) | 61.83 | 68.97 |
| Amounts contributed to political parties | - | 150.00 |
| Contribution and donation | 79.87 | 115.91 |
| Advertisement and publicity | 2,172.11 | 1,890.30 |
| Selling and distribution | | |
| - Commission on sales | 198.84 | 249.66 |
| - Selling expenses | 941.18 | 841.27 |
| - Freight outward, net of reimbursement | 2,428.08 | 1,340.58 |
| Loss allowance on financial assets, net | 35.00 | - |
| Net loss on foreign currency transactions and translation | - | 128.51 |
| Loss on sale of property, plant and equipment, net | 49.91 | - |
| Royalty | 6,371.53 | 4,780.75 |
| Security charges | 445.31 | 333.37 |
| Contract labour charges | 4,166.56 | 2,792.53 |
| Other expenses | 1,596.21 | 1,832.84 |
| Less: expenses capitalized (Refer Note 32) | (2,496.36) | (1,328.26) |
| **Total** | **40, 569.30** | **33,656.10** |

**Note 28.1 : Payments to auditors** **(₹ Lacs)**

| Particulars | For the year ended 31 March 2018 | For the year ended 31 March 2017 |
|---|---|---|
| For audit | 72.14 | 105.00 |
| For taxation matters | 7.00 | 6.00 |
| For other services | 23.25 | 1.24 |
| For reimbursement of expenses | 0.49 | 0.02 |
| Service Tax | 9.83 | 16.77 |
| | **112.71** | **129.03** |
| **Remuneration to other auditors for the subsidiaries** | | |
| For audit | 14.69 | 13.72 |
| | **14.69** | **13.72** |
| **Total** | **127.40** | **142.75** |

**Note 28.2 : Corporate Social Responsibility**

The Group has spent ₹ 61.83 lacs (2016-17: ₹ 68.97 lacs) towards various schemes of Corporate Social Responsibility as prescribed under Section 135 of the Companies Act, 2013. The details are:

I. Gross amount required to be spent by the Group during the year: ₹ 356.57 lacs (2016-17: ₹ 250.32 lacs)

II. Amount spent during the year on: **(₹ Lacs)**

| Particulars | For the year ended 31 March 2018 | For the year ended 31 March 2017 |
|---|---|---|
| i) Construction/acquisition of any asset | - | - |
| ii) For purposes other than (i) above | 61.83 | 68.97 |
| **Total** | **61.83** | **68.97** |

**Note 29 : Commitments** **(₹ Lacs)**

| Particulars | As at 31 March 2018 | As at 31 March 2017 |
|---|---|---|
| Estimated amount of contracts remaining to be executed on capital account (net of advances) and not provided for | 15,108.19 | 39,995.48 |
| **Other commitments :** The Group has imported capital goods under the Export Promotion Capital Goods (EPCG) scheme and Advance Authorisation to utilise the benefit of a zero or concessional customs duty rate. These benefits are subject to future exports within the stipulated period. Such export obligations at year end aggregate to ₹ | | |
| Export Promotion Capital Goods (EPCG) Scheme | 44,195.66 | 24,125.47 |

**Note 30 : Contingent Liabilities** **(₹ Lacs)**

| Particulars | As at 31 March 2018 | As at 31 March 2017 |
|---|---|---|
| **(a) Claims against Group not acknowledged as debt** | | |
| **Taxation Matters (Refer Note 30.1)** | | |
| - Income tax matters (refer note 30.2) | 492.77 | 1,081.24 |
| - Custom, Service tax and Excise duty related matter (excludes penalties, if any) (refer note 30.3) | 746.21 | 400.32 |
| - Others (relating to miscellaneous claims and bonus) | 212.00 | 214.21 |
| **(b) Guarantees outstanding** | 4.21 | 4.21 |
| **Total** | **1,455.19** | **1,699.98** |

**Note 30.1 :** The above amounts have been arrived at based on the notice of demand or the Assessment Orders, as the case may be, and the Group is contesting these claims with the respective authorities. Outflows including interest and other consequential payments,if any, arising out of these claims would depend on the outcome of the decisions of the appellate authorities and the Group's rights for future appeals before the judiciary. The Group doesn't expect any reimbursements in respect of the above contingent liabilities.

**Note 30.2 :** These claims relate to demands resulting from disallowances of deductions claimed and other adjustments, which are being contested by the Group. These cases are pending at various forums with respective authorities. Outflows, if any, arising out of the claims would depend upon the outcome of the decision of the appellate authority and the Group's right for future appeals before judiciary. The Group doesn't expect any reimbursements in respect of the above contingent liabilities.

**Note 30.3 :** These claims relate to demands arising from difference pertaining to transfer price assessed in terms of Customs Valuation Rules, 1988.

**Note 31 : Operating Leases**

**a. As Lessor :**

The Group has entered into operating lease arrangements for a portion of its building premises. The details are as follows :

**(₹ Lacs)**

| Particulars | For the year ended 31 March 2018 | For the year ended 31 March 2017 |
|---|---|---|
| Gross Carrying Amount | 943.32 | 836.92 |
| Accumulated Depreciation | 54.37 | 29.98 |
| Depreciation recognised in the statement of profit and loss | 24.39 | 24.39 |

Rental income earned by the Group from the above mentioned building premises are set out in Note23(b).

**b. As Lessee :**

The Group has entered into operating lease agreements mainly in respect of the office premises, accommodations and vehicles. These leases have non cancellable periods ranging from 1 to 7 years.

Lease rental expense under cancellable operating leases during the year was ₹ 1,735.94 Lacs (previous year: ₹ 1,580.23 Lacs).

The Group is obligated under non-cancellable operating leases for land, building and plant and machinery. Lease rental expense under non-cancellable operating leases during the year was ₹ 1,826.19 Lacs (previous year: ₹ 1,941.12 Lacs).

Non-cancellable operating lease rentals payable (minimum lease payments) under these leases are as follows:

**(₹ Lacs)**

| Particulars | For the year ended 31 March 2018 | For the year ended 31 March 2017 |
|---|---|---|
| Payable within 1 year | 1,662.46 | 1,508.90 |
| Payable between 1-5 years | 4,698.67 | 4,517.26 |
| Payable later than 5 years | 656.30 | 1,299.87 |

**Note 32 : Expenses Capitalized**

During the year, the Group completed the construction of additional manufacturing facility, enhancing the existing capacity of production. Expenses capitalized on initial recognition of the resulting PPE, include the costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

**(₹ Lacs)**

| Particulars | For the year ended 31 March 2018 | For the year ended 31 March 2017 |
|---|---|---|
| **(i) Details of Borowing costs capitalised** | | |
| Borrowing costs capitalised during the year | 3,319.25 | 1,130.79 |
| **Total Borrowing cost capitalised** | **3,319.25** | **1,130.79** |
| **(ii) Details of expenses capitalised** | | |
| Raw material and packing material consumed | 4,597.32 | 1,078.78 |
| Employee benefit expenses | 1,300.90 | 740.24 |
| Other expenses | 2,496.36 | 1,328.26 |
| | **8,394.58** | **3,147.28** |
| **Total** | **11,713.83** | **4,278.07** |

**Note 33 : Segment Reporting**

The Managing Director and Chief Executive Officer of the group has been identified as the Chief Operating Decision Maker (CODM) as defined by Ind AS 108, Operating Segments. The Group is structured into a single segment of Home Textiles value chain, and accordingly the CODM evaluates the Group's performance and allocates resources based on an analysis of various performance indicators by the products portfolio and segment information has been presented accordingly.

The geographical information analyses the Group's revenue from external customer and non-current assets of its single reportable segment by the Group's country of domicile (i.e. India) and other countries. In presenting the geographical information, segment revenue has been based on the geographical location of the customer and segment assets which have been based on the geographical location of the assets.

i) Geographical revenues are segregated based on the locations of the customers who are invoiced or in relation to which the revenues is otherwise recognised

**(₹ Lacs)**

| Particulars | For the year ended 31 March 2018 | For the year ended 31 March 2017 |
|---|---|---|
| North America & Canada | 184,349.99 | 178,033.97 |
| Europe | 11,572.85 | 12,008.53 |
| India | 8,365.57 | 4,211.95 |
| Asia | 5,821.00 | 5,585.68 |
| Rest of the world | 152.70 | 3,754.99 |
| **Total** | **210,262.11** | **203,595.12** |

**Revenue generated from major customers**

Customers contributing 10% or more of Group revenue (3 customers amounting to ₹ 164,587.44 Lacs in 2017-18 and 2 customers amounting to ₹ 131,955.45 Lacs in 2016-17).

ii) Details of non current assets (excluding financial instruments and deferred tax assets)

**(₹ Lacs)**

| Particulars | As at 31 March 2018 | As at 31 March 2017 |
|---|---|---|
| India | 184,363.78 | 142,135.07 |
| North America | 50,998.12 | 13,247.91 |
| Europe | 4,220.33 | 3,650.84 |
| Others | 55.89 | 1.89 |
| **Total** | **239,638.11** | **159,035.71** |

**Note 34 : Income Taxes**

**Amount recognized in statement of profit and loss**

**(₹ Lacs)**

| Particulars | For the year ended 31 March 2018 | For the year ended 31 March 2017 |
|---|---|---|
| **Current tax:** | | |
| In respect of the current year | 6,987.21 | 3,708.39 |
| Adjustments in respect of prior years | (599.82) | (282.00) |
| | **6,387.39** | **3,426.39** |
| **Deferred tax:** | | |
| Attributable to- | | |
| Origination and reversal of temporary differences | 2,496.96 | 2,298.92 |
| | **2,496.96** | **2,298.92** |
| **Income tax expense reported in the statement of profit and loss** | **8,884.35** | **5,725.31** |

**Income tax recognized in other comprehensive income**

**(₹ Lacs)**

| Particulars | For the year ended 31 March 2018 | For the year ended 31 March 2017 |
|---|---|---|
| Remeasurements of the defined benefit liabilities / (asset) | (13.24) | 75.17 |
| Effective portion of gains and loss on designated portion of hedging instruments in a cash flow hedge | 1,428.47 | (998.40) |
| **Income tax charged to OCI** | **1,415.23** | **(923.23)** |

**Reconciliation of effective tax rate**

**(₹ Lacs)**

| Particulars | For the year ended 31 March 2018 | For the year ended 31 March 2017 |
|---|---|---|
| Accounting profit before income tax | 29,047.85 | 23,935.56 |
| Tax using the Holding Company's domestic tax rate 34.608% (31 March 2017: 34.608%) | 10,052.88 | 8,283.62 |
| Effects of tax concessions | (579.93) | (1,472.88) |
| Effects of non - deductible expenses or non-chargeable income for tax purposes | (60.52) | 160.83 |
| Effects due to differential tax rates on capital gains | (165.19) | (46.78) |
| Differential tax rates of subsidiaries operating in other jurisdictions | 237.69 | (917.48) |
| **Total income tax expense recognised in the statement of profit and loss** | **9,484.93** | **6,007.31** |
| Adjustments recognised in the current year in relation to current tax of prior years | (600.58) | (282.00) |
| **Total income tax expense recognised in the statement of profit and loss** | **8,885.35** | **5,725.31** |
| **Effective tax rate** | **30.59%** | **23.92%** |

NOTES TO THE CONSOLIDATED IND AS FINANCIAL STATEMENT

**Note 34 : Income Taxes**

**Deferred tax**

Deferred tax relates to the following:

**(₹ Lacs)**

| Particulars | As at 1 April 2016 | Recognised in profit or loss during 2016-17 | Recognised in OCI during 2016-17 | As at 31 March 2017 | Recognised in profit or loss during 2017 -18 | Recognised in OCI during 2017-18 | As at 31 March 2018 |
|---|---|---|---|---|---|---|---|
| **Deferred tax assets / (liabilities)** | | | | | | | |
| Property, Plant and Equipment (including land) | (10,055.41) | (2,245.26) | - | (12,300.67) | (3,725.15) | - | (16,025.82) |
| Cash flow hedge | (437.40) | - | (1,198.90) | (1,636.30) | - | 1,428.08 | (208.22) |
| Defined benefit obligations | 46.42 | - | 75.17 | 121.59 | - | (13.24) | 108.35 |
| Foreign currency translation reserve | (373.47) | - | 200.50 | (172.97) | - | (218.42) | (391.39) |
| Goodwill | (4,847.78) | 500.52 | - | (4,347.26) | 900.10 | - | (3,447.16) |
| Investments at fair value through profit or loss | - | - | - | - | (151.33) | - | (151.33) |
| Tax benefits | - | - | - | - | 31.63 | - | 31.63 |
| Unpaid employee benefits | 507.33 | 51.09 | - | 558.42 | 155.71 | - | 714.13 |
| Unadjusted tax losses, including unabsorbed depreciation | 9,358.64 | (2,682.40) | - | 6,676.24 | (2,545.11) | - | 4,131.13 |
| Other disallowances | 2,995.86 | (10.33) | - | 2,985.53 | 1,224.79 | - | 4,210.32 |
| Minimum Alternate Tax Credit | 9,676.83 | 2,087.46 | - | 11,764.29 | 1,612.39 | - | 13,376.68 |
| **Deferred tax assets / (liabilties)** | **6,871.02** | **(2,298.92)** | **(923.23)** | **3,648.87** | **(2,496.96)** | **1,196.42** | **2,348.32** |

**Note 35 : Earnings per share** **(₹ Lacs)**

| Particulars | For the year ended 31 March 2018 | For the year ended 31 March 2017 |
|---|---|---|
| Net profit for the year attributable to equity shareholders | 20,163.50 | 18,210.25 |

**Reconciliation of basic and diluted shares used in computing earnings per share:** **(₹ Lacs)**

| Particulars | For the year ended 31 March 2018 | For the year ended 31 March 2017 |
|---|---|---|
| Number of equity shares outstanding at the beginning of the year | 98,457,160 | 98,457,160 |
| Add: Weighted average number for equity shares issued during the year | - | - |
| Weighted average number of equity shares outstanding during the year | 98,457,160 | 98,457,160 |
| **Earnings per share** | | |
| **Basic** | **20.48** | **18.50** |
| **Diluted** | **20.48** | **18.50** |

**Note 36: Financial instruments:**

**Note 36.1 : Categories of financial instruments:**

**Accounting classification and fair value**
The following table shows the carrying amount and fair value of financial assets and financial liabilities including their levels in fair value hierarchy:

**Fair value hierarchy**
The section explains the judgment and estimates made in determining the fair values of the financial instruments that are:
a) recognised and measured at fair value
b) measured at amortised cost and for which fair values are disclosed in the financial statements.

To provide an indication about the reliability of the inputs used in determining fair value, the Group has classified its financial instruments into the three levels prescribed under the Indian Accounting Standard.

**(₹ Lacs)**

| Particulars | Carrying amount | Fair value | | |
|---|---|---|---|---|
| | 31 March 2018 | Level 1 | Level 2 | Level 3 |
| **Financial assets** | | | | |
| **Measured at amortised cost:** | | | | |
| Cash and cash equivalents | 10,988.28 | - | - | - |
| Other bank balances | 2,483.68 | - | - | - |
| Trade receivables | 9,909.52 | - | - | - |
| Loans (current and non-current) | 266.09 | - | - | - |
| Other financial assets (current and non-current) | 17,841.23 | - | - | - |
| **Measured at FVTOCI** | | | | |
| Other current financial assets | 956.58 | - | 956.58 | - |
| **Measured at FVTPL** | | | | |
| Investments (current and non-current) | 12,563.68 | 11,893.12 | - | 670.56 |
| Other current financial assets | 58.93 | - | 58.93 | - |
| **Total** | **55,067.99** | **11,893.12** | **1,015.51** | **670.56** |
| **Financial liabilities:** | | | | |
| **Measured at amortised cost** | | | | |
| Borrowings (current and non-current) | 215,954.56 | - | - | - |
| Trade payables | 35,114.11 | - | - | - |
| Other current financial liabilities* | 14,081.03 | - | - | - |
| **Measured at FVTOCI** | | | | |
| Other financial liabilities | 416.51 | - | 416.51 | - |
| **Total** | **265,566.21** | **-** | **416.51** | **-** |

(₹ Lacs)

| Particulars | Carrying amount | | Fair value | |
|---|---|---|---|---|
| | 31 March 2017 | Level 1 | Level 2 | Level 3 |
| **Financial assets** | | | | |
| **Measured at amortised cost:** | | | | |
| Cash and cash equivalents | 5,937.93 | - | - | - |
| Other bank balances | 12,421.46 | - | - | - |
| Trade receivables | 6,827.37 | - | - | - |
| Loans (current and non-current) | 299.50 | - | - | - |
| Other financial assets (current and non-current) | 6,646.99 | - | - | - |
| **Measured at FVTOCI** | | | | |
| Other current financial assets | 5,468.35 | - | 5,468.35 | - |
| **Measured at FVTPL** | | | | |
| Investments (current and non-current) | 18.97 | - | - | 18.97 |
| Other current financial assets | - | - | - | - |
| **Total** | **37,620.57** | **-** | **5,468.35** | **18.97** |
| **Financial liabilities:** | | | | |
| **Measured at amortised cost** | | | | |
| Borrowings (current and non-current) | 134,857.92 | - | - | - |
| Trade payables | 26,146.48 | - | - | - |
| Other current financial liabilities* | 8,337.55 | - | - | - |
| **Measured at FVTOCI** | | | | |
| Other current financial liabilities | 740.00 | - | 740.00 | - |
| **Measured at FVTPL** | | | | |
| Other current financial liabilities | - | - | - | - |
| **Total** | **170,081.95** | **-** | **740.00** | **-** |

* Current maturities of long term borrowings aggregating ₹ 9,561.97 Lacs and ₹ 5,869.40 Lacs as at 31 March 2018 and 31 March 2017 respectively, form part of other financial liabilities.

**Fair value hierarchy**

**Level 1:** Level 1 hierarchy includes financial instruments measured using quoted prices. This includes investment in equity, preference securities, mutual funds and debentures that have quoted price.

**Level 2:** The fair value of financial instruments that are not traded in an active market (for example, traded bonds, over-the-counter derivatives) is determined using valuation techniques which maximize the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

**Level 3:** If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unquoted equity securities.

**Fair valuation method**

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. The following methods and assumptions were used to estimate the fair values:

**Financial assets:**

The Group has not disclosed the fair values for loans, trade receivables, cash and cash equivalents including other bank balances and other financial assets because their carrying amounts are a reasonable approximation of their fair value.

**Current Investments :** Fair value of quoted mutual funds units is based on quoted market price at the reporting date.

**Financial liabilities:**

**Borrowings**: It includes loans taken from banks and financial institution, cash credit and bill discounting facilities. Borrowings are classified and subsequently measured in the financial statements at amortized cost. Considering that the interest rate on loans is reset on yearly basis, the carrying amount of the loan would be a reasonable approximation of its fair value.

**Trade payables and other financial liabilities:** Fair values of trade payables and other financial liabilities are measured at carrying value, as most of them are settled within a short period and so their fair values are assumed almost equal to the carrying values.

**Note 36.2 : Financial risk management:**

The Group's activities expose to financial risks: credit risk, liquidity risk and market risk.

**Risk management framework**

The Board of directors of the Holding Company has the overall responsibility for the establishment and oversight of the Group's risk management framework. The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to maintain a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Audit Committee of the Holding Company oversees how management monitors compliance with the Group's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The audit committee is assisted in its oversight role by internal auditor. Internal Audit function includes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

**i. Credit risk:**

Credit risk is the risk of financial loss arising from counterparty failure to repay or service debt according to the contractual terms or obligations. Credit risk encompasses of both, the direct risk of default and the risk of deterioration of creditworthiness as well as concentration of risks. Credit risk is controlled by analysing credit limits and creditworthiness of customers on a continuous basis to whom the credit has been granted after obtaining necessary approvals for credit.

Financial instruments that are subject to concentrations of credit risk principally consist of trade receivables, investments, derivative financial instruments, cash and cash equivalents, bank deposits and other financial assets. Bank deposits includes an amount of ₹ 2,894.00 Lacs held with a bank having high quality credit rating which is individually in excess of 10% or more of the Group's total bank deposits for the year ended 31 March 2018. None of the other financial instruments of the Group result in material concentration of credit risk.

**Exposure to credit risk**

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk was ₹ 54,345.41 Lacs and ₹ 37,569.89 Lacs as at 31 March 2018, and 31 March 2017, respectively, being the total of the carrying amount of balances with banks, bank deposits, investments, trade receivables and other financial assets excluding cash in hand and equity investments.

**Geographic concentration of credit risk**

Geographic concentration of trade receivables (gross and net of allowances) and unbilled revenue is as follows:

| Particulars | As at 31 March 2018 | | As at 31 March 2017 | |
|---|---|---|---|---|
| | Gross % | Net % | Gross % | Net % |
| North America | 35% | 42% | 30% | 38% |
| Europe | 50% | 39% | 61% | 53% |
| India | 12% | 15% | 6% | 5% |
| Others | 3% | 4% | 3% | 4% |

Geographical concentration of trade receivables is allocated based on the location of the customers.

**ii. Liquidity risk**

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they become due. The Group manages its liquidity risk by ensuring, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risk to the Group's reputation. The Group believes that the working capital and its cash and cash equivalent are sufficient to meet its short and medium term requirements."

Management monitors rolling forecast of the Group's liquidity position and cash and cash equivalents on the basis of expected cash flows. This is generally carried out by the Management in accordance with practice and limits set by the Group. In addition, the Group's liquidity management policy involves projecting cash flows and considering the level of liquid assets necessary to meet these, monitoring balance sheet liquidity ratios against internal and external regulatory requirements and maintaining debt financing plans.

**Note 36.2 : Financial risk management (continued)**

**A) Financing arrangement**

The Group maintains the following line of credit:

(a) Terms loans taken from bank aggregrating to ₹ 68,660.48 lacs repayable in various quarterly and yearly installments with interest rate ranging from 4.80% to 11.05% per annum. Term Loan from financial institutions aggregrating to ₹ 62,553.82 Lacs with interest rate ranging from 9.95% - 11.55% per annum. These are secured by first pari passu charge on the entire movable and immovable fixed assets of the Group, present and future.

(b) Working capital loans from banks carry an effective interest rate of 4.51% per annum, computed on a monthly basis on the actual amount utilized, and are repayable on demand. These are secured by pari passu charge by way of hypothecation of stock and book debts of the Group and second pari passu charge on the movable (other than those exclusively charged) and immovable fixed assets of the Group.

(c) The Group has receivable bill discounting facility from banks which are payable within 120 days from date of bill discounted.

The table below provides details regarding the contractual maturities of significant financial liabilities as at 31 March 2018 and 31 March 2017. The amounts are gross and undiscounted contractual cash flow and includes contractual interest payment and exclude netting arrangements:

**As at 31 March 2018** **(₹ Lacs)**

| Particulars | Contractual cash flows | | | | |
|---|---|---|---|---|---|
| | Carrying amount | Total | 0-1 years | 1-5 years | 5 years and above |
| **Financial liabilities:** | | | | | |
| Borrowings* | 225,516.53 | 225,516.53 | 103,864.19 | 74,096.93 | 47,555.41 |
| Trade payables | 35,114.11 | 35,114.11 | 35,114.11 | - | - |
| Other financial liabilities# | 4,935.57 | 4,935.57 | 4,935.57 | - | - |

**As at 31 March 2017** **(₹ Lacs)**

| Particulars | Contractual cash flows | | | | |
|---|---|---|---|---|---|
| | Carrying amount | Total | 0-1 years | 1-5 years | 5 years and above |
| **Financial liabilities:** | | | | | |
| Borrowings* | 140,727.32 | 140,727.32 | 66,749.33 | 47,431.66 | 26,546.33 |
| Trade Payables | 26,146.48 | 26,146.48 | 26,146.48 | - | - |
| Other Financial Liabilities# | 3,208.15 | 3,208.15 | 3,208.15 | - | |

* Includes current maturies of long term borrowings (Refer Note 21) and current borowings (Refer Note 19)
# Excludes current maturies of long term borrowings

As disclosed in note 16.1, the Group has secured bank loan that contains loan covenants. A future breach of convenant may require the Group to repay the loan earlier than indicated in the above table. Except for these financial liabilties, it is not expected that cash flows included in maturity analysis could occur significantly earlier.

**iii. Market risk**

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. Market risk is attributable to all market risk sensitive financial instruments including foreign currency receivables and payables and long term debt. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

**Note 36.2 : Financial risk management (continued)**

**a) Foreign currency risk:**

The Group is exposed to currency risk to the extent that there is a mismatch between the currencies in which sales, purchases and borrowings are denominated and the respective functional currency of the Group companies. The functional currency of the Holding Company is ₹. The currencies in which these transactions are primarily denominated are USD, GBP etc.

Management monitors the movement in foreign currency and the Group's exposure in each of the foreign currency. Based on the analysis and study of movement in foreign currency, the Group decides to exchange its foreign currency. A significant portion of the Group's revenues are in foreign currencies, while a significant portion of its costs are in Indian rupees. As a result, if the value of the Indian rupee appreciates relative to foreign currencies, the Company's revenues measured in Indian rupees may decrease. The exchange rate between the Indian rupee and foreign currencies has changed substantially in recent periods and may continue to fluctuate substantially in the future. Consequently, the Group uses derivative and non-derivative financial instruments, such as foreign exchange forward contracts to mitigate the risk of changes in foreign currency exchange rates in respect of its highly probable forecasted transactions and recognised assets and liabilities.

All hedging activities are carried out in accordance with the Group's internal risk management policies, as approved by the Board of Directors, and in accordance with the applicable regulations where the Group operates."

The following table gives details in respect of outstanding foreign exchange forward contracts in relation to Sell Contracts:

| Particulars | As at 31 March, 2018 | | As at 31 March, 2017 | |
|---|---|---|---|---|
| | in Foreign Currency in (Million) | ₹ Lacs | in Foreign Currency in (Million) | ₹ Lacs |
| In USD | 124.44 | 83,088.83 | 144.18 | 100,647.96 |
| In EURO | 3.47 | 2,797.90 | 4.13 | 3,246.76 |
| In GBP | 2.74 | 2,466.82 | 2.86 | 2,621.29 |
| **Total** | | **88,353.55** | | **106,516.01** |

The following table gives details in respect of outstanding foreign exchange forward contracts in relation to buy Contracts:

| Particulars | As at 31 March, 2018 | | As at 31 March, 2017 | |
|---|---|---|---|---|
| | in Foreign Currency in (Million) | ₹ Lacs | in Foreign Currency in (Million) | ₹ Lacs |
| In EURO | 1.97 | 1,666.31 | 15.23 | 11,396.15 |
| In CHF | 5.90 | 4,277.73 | 0.34 | 237.66 |
| In USD | 19.69 | 12,838.96 | 0.10 | 68.43 |
| In JPY | 311.75 | 1,979.16 | - | - |
| **Total** | | **20,762.16** | | **11,702.24** |

The foreign exchange forward contracts mature within 12 months. The table below analyzes the derivative financial instruments sell contracts into relevant maturity groupings based on the remaining period as on the balance sheet date:

**(₹ Lacs)**

| Particulars | As at 31 March, 2018 | As at 31 March, 2017 |
|---|---|---|
| Less than 1 month | 8,974.29 | 8,727.29 |
| 1 to 3 months | 19,131.53 | 20,286.28 |
| 3 to 6 months | 28,290.39 | 29,431.71 |
| 6 to 12 months | 31,957.34 | 48,070.73 |
| **Total** | **88,353.55** | **106,516.01** |

The foreign exchange forward contracts maturity. The table below analyzes the derivative financial instruments buy contracts into relevant maturity groupings based on the remaining period as on the balance sheet date:

**(₹ Lacs)**

| Particulars | As at 31 March, 2018 | As at 31 March, 2017 |
|---|---|---|
| Less than 1 month | 41.30 | 2,356.20 |
| 1 to 3 months | 12,797.66 | 8,463.85 |
| 3 to 6 months | 2,191.22 | 882.19 |
| 6 to 12 months | 5,609.50 | - |
| Morethan 12 months | 122.48 | - |
| **Total** | **20,762.16** | **11,702.24** |

**Note 36.2 : Financial risk management (continued)**

**Exposure to currency risk**

The summary of quantitative data about the Group's exposure to currency risk as reported to management is as follows:

| Particulars | Currency | As at 31 March 2018 | | As at 31 March 2017 | |
|---|---|---|---|---|---|
| | | Amount in foreign currency lacs | Amount in ₹ in lacs | Amount in foreign currency lacs | Amount in ₹ Lacs |
| Cash and cash equivalents | USD | 32.14 | 2,089.23 | 60.77 | 3,941.08 |
| | EUR | 16.82 | 1,356.33 | 11.78 | 816.44 |
| | GBP | 0.58 | 53.67 | - | - |
| | AED | 1.98 | 35.07 | 2.55 | 45.01 |
| | SGD | 0.20 | 9.88 | 0.11 | 5.17 |
| Trade receivables | USD | 63.86 | 4,151.13 | 40.29 | 2,612.52 |
| | EUR | 48.22 | 3,888.30 | 51.87 | 3,594.90 |
| | GBP | 3.68 | 339.69 | 3.13 | 253.49 |
| | AED | 1.50 | 26.57 | 0.20 | 3.51 |
| Loans | USD | 0.40 | 26.05 | 1.51 | 97.95 |
| Other financial assets | USD | 19.56 | 1,271.36 | 1.98 | 128.13 |
| | EUR | 0.26 | 20.56 | 1.67 | 115.96 |
| | AED | - | - | 0.90 | 15.98 |
| Borrowings | USD | 740.34 | 48,121.88 | 553.17 | 35,872.99 |
| | EUR | 120.98 | 9,754.88 | 109.30 | 7,575.88 |
| Trade payables | USD | 263.03 | 17,096.69 | 82.40 | 5,343.66 |
| | EUR | 46.21 | 3,725.76 | 159.15 | 11,030.91 |
| | GBP | 8.40 | 774.94 | 0.20 | 16.37 |
| | AED | - | - | 0.27 | 4.76 |
| Other financial liabilities | USD | 3.10 | 201.47 | 11.17 | 724.16 |
| | EUR | 5.23 | 421.32 | 2.84 | 197.05 |
| | GBP | 0.06 | 5.09 | - | - |
| | AED | 4.58 | 81.06 | - | - |

**The following significant exchange rates have been applied**

| Currency | Year end spot rate | |
|---|---|---|
| | 31 March 2018 | 31 March 2017 |
| USD/INR | 65.00 | 64.85 |
| EUR/INR | 80.63 | 69.31 |
| GBP/INR | 92.26 | 80.96 |
| AED/INR | 17.70 | 17.66 |
| SGD/INR | 48.74 | 46.42 |

**Note 36.2 : Financial risk management (continued)**
**Sensitivity analysis**

A reasonably possible strengthening (weakening) of the USD, EURO, GBP, AED and SGD against ₹ at 31 March 2018 and 31 March 2017 would have affected the measurement of financial instruments denominated in foreign currency and affected equity and profit and loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

**(₹ Lacs)**

| Particulars | Profit and loss | | Equity, net of tax | |
|---|---|---|---|---|
| | Strengthening | Weakening | Strengthening | Weakening |
| **31 March 2018** | | | | |
| USD (1% movement) | (578.82) | 578.82 | (378.50) | 378.50 |
| EURO (1% movement) | (86.37) | 86.37 | (56.48) | 56.48 |
| GBP (1% movement) | (3.87) | 3.87 | (2.53) | 2.53 |
| AED (1% movement) | (0.19) | 0.19 | (0.13) | 0.13 |
| SGD (1% movement) | 0.10 | (0.10) | 0.06 | (0.06) |
| **31 March 2017** | | | | |
| USD (1% movement) | (351.61) | 351.61 | (229.92) | 229.92 |
| EURO (1% movement) | (142.77) | 142.77 | (93.36) | 93.36 |
| GBP (1% movement) | 2.37 | (2.37) | 1.55 | (1.55) |
| AED (1% movement) | 0.44 | (0.44) | 0.29 | (0.29) |
| SGD (1% movement) | 0.05 | (0.05) | 0.03 | (0.03) |

**Interest rate risk**

Interest rate risk primarily arises from floating rate borrowing, including various revolving and other lines of credit. The Group's investments are primarily in short-term investments, which do not expose it to significant interest rate risk. The Group's borrowings comprises of term loan, working capital loan and bill discounting which carries variable rate of interest, which expose it to interest rate risk.

**(a) Interest rate risk exposure**

The exposure of the Group's borrowing to interest rate changes at the end of the reporting period are as follows:

**(₹ Lacs)**

| Particulars | As at | |
|---|---|---|
| | 31 March 2018 | 31 March 2017 |
| Variable rate borrowings | 225,516.53 | 140,327.51 |
| Fixed rate borrowings (including current maturities of long term debts) | - | 399.81 |
| **Total** | **225,516.53** | **140,727.32** |

**(b) Sensitivity**

**(₹ Lacs)**

| Particulars | Profit and loss | | Equity, net of tax | |
|---|---|---|---|---|
| | 25 basis points Increase | 25 basis points Decrease | 25 basis points Increase | 25 basis points Decrease |
| **31 March 2018** | | | | |
| Variable rate borrowings | 457.31 | (457.31) | 299.04 | (299.04) |
| **31 March 2017** | | | | |
| Variable rate borrowings | 293.75 | (293.75) | 192.09 | (192.09) |

**Note 36.3: Capital management**

The Group's policy is to maintain a stable and strong capital base structure with a focus on total equity so as to uphold investor, creditor and market confidence and to sustain future development and growth of the business. The Group monitors the return on capital as well as the level of dividends on its equity shares. The Group's objective when managing capital is to maintain an optimal structure so as to maximize shareholder value and safeguard its ability to continue as a going concern.

The Group monitors capital using a ratio of 'adjusted net debt' to 'equity'. For the purpose of Group's capital management, adjusted net debt is defined as aggregate on non-current borrowing, current borrowing and current maturities of long-term borrowings less cash and cash equivalents and total equity includes issued capital and all other equity reserves.

**Note 36.3 : Capital management (continued)**

The Group's adjusted net debt equity ratio were as follows:

**(₹ Lacs)**

| Particulars | As at | |
|---|---|---|
| | 31 March 2018 | 31 March 2017 |
| Borrowings (current and non-current) | 225,516.53 | 140,727.32 |
| Less: Cash and cash equivalents including deposits and current investments | (25,821.77) | (20, 359.39) |
| **Adjusted net debt** | **199,694.76** | **120,367.93** |
| Total equity | 122,753.27 | 106,726.09 |
| **Net debt to equity ratio** | **1.63** | **1.13** |

**Note 37 : Related party disclosures**

**Note 37.1 : Name of related parties and description of relationship**

| Description of relationship | Names of the related parties |
|---|---|
| Key management personnel | D.K. Himatsingka - Executive Chairman (w.e.f. 21 May 2016)<br>Shrikant Himatsingka - Managing Director & Chief Executive Officer (w.e.f. 21 May 2016)<br>V.Vasudevan-Executive Director (w.e.f. 21 May 2016)<br>Sangeeta Kulkarni-Independent Director (w.e.f. 21 May 2016)<br>Rajiv Khaitan - Independent Director<br>Dr.K.R.S Murthy - Independent Director<br>Berjis M Desai - Independent Director (upto 23 May 2017)<br>K.P. Rangaraj-Chief Financial officer (w.e.f. 2 August 2017)<br>Ashutosh Halbe-Interim Chief Financial Officer (from 5 July 2017 to 2 August 2017)<br>K.P. Pradeep-Chief Financial officer (upto 7 January 2017)<br>Ashok Sharma-Company Secretary<br>Aditya Himatsingka - Executive Director (upto 23 May 2017) |
| Associate | Himatsingka Energy Private Limited |
| Entities over which key management personnel or relatives of such personnel are able to exercise significant influence | Bihar Mercantile Union Limited<br>BMU International<br>VSJ Investments Pvt Ltd (formerly known as Credit Himatsingka Private Limited)<br>Khaitan & Co. LLP<br>Jacaranda Design LLC |

**List of subsidiaries (including step subsidiaries), associate**

| Name of the entity | Subsidiary/ Step Subsidiary | Country of domicile | Holding as at | |
|---|---|---|---|---|
| | | | 31 March 2018 | 31 March 2017 |
| Himatsingka Wovens Private Limited | Subsidiary | India | 100% | 100% |
| Himatsingka Holdings North America, Inc. ( formerly known as Himatsingka America , Inc.) | Subsidiary | United States of America | 100% | 100% |
| Himatsingka Europe Limited | Subsidiary | United Kingdom | 100% | 100% |
| Twill & Oxford LLC | Subsidiary | Unired Arab Emirates | 49% | 49% |
| Himatsingka America, Inc. (Merged entity of DWI Holdings, Inc. and Divatex Home Fashions, Inc.) | Step Subsidiary | United States of America | 100% | 100% |
| Himatsingka Singapore Pte Ltd | Step Subsidiary | Singapore | 100% | 100% |
| Giuseppe Bellora S.r.l. | Step Subsidiary | Italy | 100% | 100% |
| Himatsingka Energy Private Limited | Associate | India | 26% | 0% |

**Note 37.2 : Related party transactions during the year** **(₹ Lacs)**

| Particulars | | For the year ended 31 March 2018 | For the year ended 31 March 2017 |
|---|---|---|---|
| Purchase of Goods | Bihar Mercantile Union Limited | 0.10 | 6.77 |
| | BMU International | 1.22 | 628.69 |
| Professional fees | Khaitan & Co | 37.00 | 78.97 |
| | Jacaranda Design LLC | 77.50 | 80.86 |

**Note 37.3 : Balance receivable from and payable to related parties as at the balance sheet date:** **(₹ Lacs)**

| Particulars | | For the year ended 31 March 2018 | For the year ended 31 March 2017 |
|---|---|---|---|
| Trade payables | BMU International | - | 29.23 |

**Note 37.4 : Compensation of key managerial personnel*** **(₹ Lacs)**

| Particulars | For the year ended 31 March 2018 | For the year ended 31 March 2017 |
|---|---|---|
| Short term employee benefits | 1,863.99 | 1,556.62 |
| Receiving of services | 55.53 | 45.60 |
| Others | 10.80 | 12.30 |
| **Total** | **1,930.32** | **1,614.52** |

*Managerial remuneration does not include cost of employee benefits such as gratuity and compensated absences since, provision for these are based on an actuarial valuation carried out for the Company as a whole.

**Note 38: Specified bank notes**

During the year ended 31 March 2017, the Company had specified bank notes or other denomination notes as defined in the MCA notification G.S.R. 308(E) dated 31 March 2017. The details of Specific Bank Notes ('SBN') held and transacted during the period from 8 November 2016 to 30 December 2016 and the denomination wise SBNs and other notes as per the notification is given below:

**(₹ Lacs)**

| Particulars | SBNs* | Other denomination notes | Total |
|---|---|---|---|
| **Closing cash in hand as on 8 November 2016** | **30.75** | **3.89** | **34.64** |
| Add: Permitted receipts | - | 52.56 | 52.56 |
| Less: Permitted payments | - | 27.63 | 27.63 |
| Less: Amount deposited in Banks | 30.75 | 11.70 | 42.45 |
| **Closing cash in hand as on 30 December 2016** | **-** | **17.12** | **17.12** |

*For the purposes of this clause, the term 'Specified Bank Notes' shall have the same meaning provided in the notification of the Government of India, in the Ministry of Finance, Department of Economic Affairs number S.O. 3407(E), dated 8 November 2016.

Note: The disclosures in the financial statements regarding holdings as well as dealings in specified bank notes during the period from 8 November 2016 to 30 December 2016 have not been made since they do not pertain to the financial year ended 31 March 2018. However, amounts as appearing in the audited Consolidated Ind AS financial statements for the year ended 31 March 2017 have been disclosed.

NOTES TO THE CONSOLIDATED IND AS FINANCIAL STATEMENT

**Note 39 :** There is no amount due and outstanding as at Balance sheet date to be credited to the Investor Education and Protection Fund.

**Note 40 : Transfer pricing**

The Group has established a comprehensive system of maintenance of information and documents as required by the transfer pricing legislation under Sections 92-92F of the Income-tax Act. Since the law requires existence of such information and documentation to be contemporaneous in nature, the Group is in the process of updating the documentation for the international as well as specified domestic transactions entered into with the associated enterprise during the financial year and expects such records to be in existence latest by the end of the stipulated timeline, as required by law. The Management is of the opinion that its international as well as specified domestic transactions are at arm's length so that the aforesaid legislation will not have any impact on the financial statements, particularly on the amount of tax expenses and that of provision for taxation.

**Note 41 : Additional information pursuant to para 2 of general instructions for the preparation of consolidated financial statements for the year ended 31 March 2018:**

| Name of the Subsidiary | Net assets, i.e., total assets minus total liabilities | | Share in profit or (loss) | | Share in Comprehensive income | | Share in total comprehensive income | |
|---|---|---|---|---|---|---|---|---|
| | As % of consolidated net assets | Amount (₹ Lacs) | As % of consolidated profit or loss | Amount (₹ Lacs) | As % of consolidated Comprehensive income | Amount (₹ Lacs) | As % of consolidated total comprehensive income | Amount (₹ Lacs) |
| | | | | | | | | |
| Himatsingka Seide Limited | 62% | 121,693.11 | 97% | 20,605.19 | 100% | (2,626.38) | 97% | 17,978.81 |
| | | | | | | | | |
| **Indian Subsidiaries** | | | | | | | | |
| Himatsingka Wovens Private Limited | 1% | 1,043.47 | -1% | (122.71) | 0% | (0.73) | -1% | (123.43) |
| | | | | | | | | |
| **Foreign Subsidiaries** | | | | | | | | |
| Himatsingka Holdings North America, Inc. | 15% | 28,696.81 | -10% | (2,093.19) | 0% | - | -11% | (2,093.19) |
| Himatsingka America, Inc. | 17% | 33,845.27 | 19% | 3,917.33 | 0% | - | 21% | 3,917.33 |
| Twill & Oxford LLC | 0% | (408.60) | -1% | (150.44) | 0% | - | -1% | (150.44) |
| Himatsingka Europe Limited | 4% | 8,401.31 | 0% | 20.94 | 0% | - | 0% | 20.94 |
| Giuseppe Bellora S.r.l. | 1% | 1,613.52 | -5% | (957.85) | 0% | - | -5% | (957.85) |
| Himatsingka Singapore Pte Ltd | 0% | 16.11 | 0% | (61.64) | 0% | - | 0% | (61.64) |
| | | | | | | | | |
| | **100%** | **194,901.01** | **100%** | **21,157.63** | **100%** | **(2,627.11)** | **100%** | **18,530.52** |
| **Associates** | | | | | | | | |
| Himatsingka Energy Private Limited | | - | | (0.26) | | - | | (0.26) |
| | | | | | | | | |
| Consolidated adjustments | | (72,147.73) | | (993.87) | | 1,447.16 | | 453.29 |
| **Total** | | **122,753.27** | | **20,163.50** | | **(1,179.95)** | | **18,983.55** |

**Note 42 : Events after reporting period**

On 25 May 2018, the board of directors recommended a final dividend of ₹ 2.50 per equity share (total dividend of ₹ 2,461.43 Lacs) (excluding dividend distribution tax) be paid to shareholders for financial year 2017-18, which need to be approved by shareholders at the Annual General Meeting.

**Note 43 : Approval of Financial Statements**

The financial statements were approved by the board of directors on 25 May 2018.

The notes referred to above form an integral part of the Consolidated Ind AS financial statements

As per our report of even date attached

for **B S R & Co. LLP**
Chartered Accountants
Firm's registration number : 101248W/W-100022

**Supreet Sachdev**
Partner
Membership number : 205385

**Place: Bengaluru**
**Date : 25 May 2018**

for and on behalf of the Board of Directors of
**Himatsingka Seide Limited**

**D.K. Himatsingka**
Executive Chairman
DIN: 00139516

**Shrikant Himatsingka**
Managing Director & CEO
DIN: 00122103

**K.P.Rangaraj**
Chief Financial Officer

**Ashok Sharma**
Company Secretary

**Place: Bengaluru**
**Date : 25 May 2018**

# Financial Highlights - Consolidated

**Himatsingka Seide Limited**

**(₹ Lacs, except ratios)**

| | 2013-14 | 2014-15 | 2015-16 | 2016-17 | 2017-18 |
|---|---|---|---|---|---|
| **Share Capital** | 4,923 | 4,923 | 4,923 | 4,923 | 4,923 |
| **Reserves** | 69,578 | 73,461 | 84,050 | 1,01,803 | 1,17,830 |
| **Net worth** | 74,501 | 78,384 | 88,973 | 1,06,726 | 1,22,753 |
| **Total Debt** | 80,473 | 82,093 | 1,00,697 | 1,40,727 | 2,25,517 |
| **Gross Fixed Assets** | 95,804 | 1,33,774 | 1,41,868 | 1,72,713 | 2,76,407 |
| **Net Fixed Assets** | 44,277 | 67,440 | 70,640 | 93,004 | 1,88,437 |
| **Average Capital Employed** | 1,44,417 | 1,57,726 | 1,75,073 | 2,18,562 | 2,97,861 |
| **Total Revenue** | 2,02,815 | 1,94,316 | 1,90,997 | 2,15,160 | 2,26,669 |
| **EBITDA** | 20,477 | 22,153 | 31,404 | 39,089 | 46,623 |
| **Depreciation** | 5,438 | 4,464 | 6,652 | 5,801 | 7,195 |
| **EBIT** | 15,039 | 17,689 | 24,752 | 33,288 | 39,428 |
| **Interest and Finance Charges** | 8,283 | 8,544 | 9,341 | 9,353 | 10,380 |
| **Profit Before Tax** | 6,342 | 9,145 | 15,411 | 23,936 | 29,048 |
| **Profit After Tax** | 6,335 | 9,544 | 12,526 | 18,210 | 20,164 |
| **No. of Equity Shares (In Lacs)** | 984.57 | 984.57 | 984.57 | 984.57 | 984.57 |
| **Face Value Per Share ( ₹ )** | 5.00 | 5.00 | 5.00 | 5.00 | 5.00 |
| **Book Value Per Share ( ₹ )** | 75.67 | 79.61 | 90.37 | 108.40 | 124.68 |
| **Earnings Per Share ( ₹ )** | 6.43 | 9.69 | 12.72 | 18.50 | 20.48 |
| **Dividend Per Share ( ₹ )** | 1.50 | 2.00 | 2.50 | 2.50 | 2.50 |
| **Total Dividend** | 1,477 | 1,969 | 2,461 | 2,461 | 2,461 |
| **Debt Service Coverage Ratio (DSCR) (x)** | 0.98 | 1.28 | 2.48 | 2.57 | 2.34 |
| **Net Debt to EBITDA (x)** | 3.88 | 3.25 | 2.82 | 3.08 | 4.29 |
| **Net Debt to Equity (x)** | 1.04 | 1.00 | 0.99 | 1.13 | 1.63 |
| **ROCE (%)** | 10.4% | 11.2% | 14.1% | 15.2% | 13.1% |
| **ROE (%)** | 9.2% | 12.5% | 15.0% | 18.6% | 17.6% |

Note:

Forward looking statement in this Annual Report should be read in conjunction with the following cautionary statements.

Certain expectations and projections regarding future performance of the Company referenced in this Annual Report are forward looking statements. These expectations and projections are based on currently available information along with the Company's operating plans and are subject to certain future events and uncertainties, that could cost actual results to differ materially from those that may be indicated in such statements.



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