

Textual information (1)

Disclosure in board of directors report explanatory [Text Block]

BOARD'S REPORT

To the Members,

The Directors have great pleasure in presenting their 35th Report along with the audited financial statement for the financial year ended March 31, 2018.

FINANCIAL RESULTS:

The financial results of the Company for the year ended 31st March, 2018 are summarized below:

(In Rs.)

Sl. No.	Particulars	Current Year ended 31st March, 2018	Previous Year ended 31st March, 2017
(i)	Revenue from operations (net)	30,501,195.00	25,108,206.70
(ii)	Other Income	2,337,225.63	2,158,620.00
(iii)	Total Income	32,838,450.63	27,266,826.70
(iv)	Operating Expenditure	30,754,442.36	24,677,348.96
(v)	Profit before Interest, Depreciation and Amortisation and Tax	2,084,008.27	2,589,477.74
(vi)	Depreciation and Amortisation	1,902,973.00	2,245,202.16
(vii)	Profit / (Loss) before Taxes	181,035.27	344,275.58
(viii)	Net Profit(Loss) for the Year	(185,201)	344,275.58
(ix)	Balance Brought Forward from Previous Year	(23,131,590)	(23,475,866)
(xiii)	Balance carried to Balance Sheet	(23,316,791)	(23,131,590)

PERFORMANCE OF THE COMPANY:

The Company has incurred loss as compared to last financial year. The net loss of the Company is Rs. 185,201.00/- as compared to profit of the previous year Rs.344,275.58/-. The Directors are confident of achieving better results in the forth coming financial year.

The Company's operations have reduced during the year. The Board expects improvement in the operations during the forthcoming years.

DIVIDEND:

Your Directors do not recommend any Dividend for the financial year ended 31st March 2018.

SHARE CAPITAL:

During the year, your company has not made any allotment and hence there is no change in the share capital of the company.

TRANSFER TO RESERVES:

The company has not proposed any amount to be transferred to general reserves

FINANCE:

Cash in hand as at March 31, 2018 amounted to Rs.1,09,801/-.

**DEPOSITS:**

The Company has not accepted any deposits during the financial year nor has any outstanding unclaimed or unpaid deposits as on 31.03.2018.

PARTICULARS OF LOANS, GUARANTEES OR INVESTMENTS UNDER SECTION 186:

There were no loans, guarantees or investments given by the Company falling under Section 186 of the Companies Act, 2013

DETAILS OF DIRECTORS AND KEY MANAGERIAL PERSONNEL:**Appointments and Resignations:**

The Board has appointed Mr. Zergam Haider Rizvi as an additional director in independent on 14.11.2017 and Mr. Prakash Mallikarjunappa resigned from directorship on 14.11.2017 during the financial year.

Re-Appointments:

As per provisions of the Companies Act, 2013, Mr. Ali Kamaruddin Merchant (DIN: 02583407) is liable to retire by rotation at the ensuing Annual General Meeting and being eligible, offer himself for re-appointment. The Board of Directors recommends his re-appointment.

BOARD MEETINGS HELD DURING THE FINANCIAL YEAR:

During the year, 5 (five) Board Meetings were convened and held as given below. The intervening gap between the Meetings was within the period prescribed under the Companies Act, 2013.

Board Meeting Date	Attendance Details
15.05.2017	All directors present
11.08.2017	All directors present
01.09.2017	All directors present
14.11.2017	All directors present
12.02.2018	All directors present

DECLARATION BY INDEPENDENT DIRECTORS

The Company has received declarations from all its Independent Directors that they meet the criteria of Independence as laid down under section 149(6) of the Companies Act, 2013 in respect of the financial year ended March 31, 2018 .

BOARD COMMITTEES:

The primary three committees of the Board are Audit Committee, Nomination and Remuneration Committee, and Stakeholders' Relationship Committee. A detailed note on the committees is provided under the Corporate Governance Report forming part of this Board's Report. The Composition of the Primary Committees and their meeting dates are given below:

Name of the Committee	Composition	Details of Meetings held during the year
Audit Committee	Comprises of one non - executive Independent director and two non – executive directors. The Chairperson of the Committee is Mrs. B K Merchant.	Five meetings were held during the year on the following dates: <ul style="list-style-type: none"> • 15.05.2017 • 11.08.2017 • 01.09.2017 • 14.11.2017 • 12.02.2018
Stakeholders' Relationship Committee	Comprises of three non-executive directors.	Two meetings were held during the year on the following dates: <ul style="list-style-type: none"> • 15.05.2017 • 11.08.2017

Nomination and Remuneration Committee	Comprises of three non executive directors. The Chairman of the Committee is an Independent Director- Mr. Zergam Haider Rizvi	One meeting were held during the year on the following dates: · 01.09.2017
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DETAILS OF RECOMMENDATIONS OF AUDIT COMMITTEE WHICH WERE NOT ACCEPTED BY THE BOARD ALONG WITH REASONS

The Audit Committee generally make certain recommendations to the Board of Directors of the Company during their meetings held to consider any financial results (Unaudited and Audited) and such other matters placed before the Audit Committee as per the Companies Act, 2013 and Listing Agreement from time to time. During the year the Board of Directors has considered all the recommendations made by the Audit Committee and has accepted and carried on the recommendations suggested by the Committee to its satisfaction. Hence there are no recommendations unaccepted by the Board of Directors of the Company during the year under review.

DETAILS OF POLICIES DEVELOPED BY THE COMPANY:

Board Diversity

The Company recognizes and values the importance of a diverse board as part of its corporate governance and success. The Company believes that a truly diverse Board will leverage differences in ideas, knowledge, thought, perspective, experience, skill sets, age, ethnicity, religion and gender which will go a long way in retaining its competitive advantage. The company is looking for qualified independent directors to meet the requirements of provisions of Companies Act, 2013 which will help in better diversification of board.

Whistle-Blower Policy – Vigil Mechanism

The Company is committed to adhere to the highest standards of ethical, moral and legal conduct of business operations. To maintain these standards, the Company encourages its employees who have concerns about suspected misconduct to come forward and express these concerns without fear of punishment or unfair treatment. A Vigil (Whistle Blower) mechanism provides a channel to the Employees and Directors to report to the management concerns about unethical behaviour, actual or suspected fraud or violation of the Code of Conduct or Policy. The mechanism provides for adequate safeguards against victimization of employees and directors to avail of the mechanism and also provide for direct access to the Chairman of the Board/Chairman of the Audit Committee in exceptional cases.

In line with the statutory requirements, the Company has formulated a Whistle Blower Policy/Vigil Mechanism, which covers malpractices and events which have taken place / suspected to have taken place, misuse or abuse of authority, fraud or suspected fraud, violation of company rules, manipulations, negligence causing danger to public health and safety, misappropriation of monies, and other matters or activity on account of which the interest of the Company is or is likely to be affected and formally reported by whistle blowers concerning its employees.

Mr. Mahesh K Merchant, Managing Director is responsible for the administration, interpretation, application and review of this policy. The said Director is also empowered to bring about necessary changes to this Policy, if required at any stage with the concurrence of the Audit Committee. The mechanism also provides for access to the Chairman of the Audit Committee in required circumstances.

EVALUATION OF BOARD, COMMITTEE AND DIRECTORS

The evaluation of Board, Committee and Directors could not be done, as the company did not find any suitable candidate for appointment as Independent Director on the Board during the financial year.

Training and familiarization program for independent directors

Training and familiarization programmes were not conducted during the year, as the company did not find any suitable candidate for appointed as Independent director on the Board during the year.

NAMES OF COMPANIES WHICH HAVE BECOME OR CEASED TO BE ITS SUBSIDIARIES, JOINT VENTURES OR ASSOCIATE COMPANIES DURING THE YEAR:

Your Company has no subsidiaries, joint venture or associate companies and hence the disclosure does not arise.

AUDITORS:

Statutory Auditors

Owing to resignation of M/s.Girija & Co., Statutory Auditors the Board of Directors recommended Mr.B.Ravikumar, Chartered Accountant, (M.No.206333) Chennai, Statutory Auditor of the Company, in the place of M/s.Girija & Co., to hold office for a period of 5 years till the conclusion of the Annual General Meeting to be held in the calendar year 2023.

Mr.B.Ravikumar has sent his consent letter to act as Statutory Auditor. In terms of Section 139 of the Companies Act, 2013, the Company is required to place the matter relating to such appointment by the members at the Annual General Meeting. The Board recommends his appointment at the Annual General Meeting.

Secretarial Auditor

Pursuant to the provisions of Section 204 of the Companies Act, 2013 and The Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, the Company has appointed Mr.N.Ramanathan, M/s. S Dhanapal & Associates, a firm of Company Secretaries in Practice to undertake the Secretarial Audit of the Company. The Secretarial Audit Report for the financial year 2017-18 is annexed herewith as marked as Annexure A and forms part of this report.

REPLY TO QUALIFICATIONS IN SECRETARIAL AUDITOR'S REPORT:

The company does not have significant operations and hence has not appointed a Company Secretary, Internal Auditor and Chief Financial Officer. Once the operational performance of the company improves, it will appoint Company Secretary, Internal Auditor and Chief Financial Officer.

PARTICULARS OF EMPLOYEES AND REMUNERATION:

Details as required under Section 197 of the Companies Act, 2013 read with Rule 5(2) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 are given below:

- (i) During the year, no employee was in receipt of remuneration exceeding Rupees One Crore and Two Lakhs.
- (ii) None of the employees employed for a part of the financial year, was in receipt of remuneration for any part of that year, which, in the aggregate exceeds Rupees Eight Lakhs and Fifty Thousands per month, during the financial year.
- (iii) None of the employees except Managing Director employed throughout the financial year or part thereof, hold by himself / herself or along with his/her spouse and dependent children, more than two per cent of the equity shares of the Company.

Details required as per Section 197 and Rule 5 of Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014

(i) Details of top ten employees in terms of remuneration drawn:

Name of the Employee	MAHESH KAMRUDDIN MERCHANT
Designation of the employee	Managing Director

Remuneration received (Amount in Rs. Per annum)	Rs.240,000/-
Nature of employment, whether contractual or otherwise	Permanent
Qualifications and experience of the employee	PhD – with experience in manufacturing and management
Date of commencement of employment	01/11/1983
Age of such employee	59 years
Last employment held by such employee before joining the company	Nil
Percentage of equity shares held by the employee in the company by himself or along with his spouse and dependent children, being not less than two percent of the equity shares of the company	57.07%
Whether any such employee is a relative of any director or manager of the company and if so, name of such director or manager	Yes. He is relative of Mrs. BK Merchant and Dr. Ali Kamruddin Merchant.

II) Details of the employees employed throughout the year and drawing remuneration which in the aggregate is not less than Rupees One Crore and Two Lakhs per annum, during the financial year. - Nil

Percentage increase in the median remuneration of employees in the financial year

During the year none of the employees were in receipt of remuneration.

Number of permanent employees on the rolls of the company as on 31.03.2018

The Number of permanent employees on the rolls of the Company as of 31st March 2018 stood at fourteen employees.

Explanation on relationship between average increase in remuneration and company performance

Since there was no remuneration given during the year to managerial personnel, it does not have impact on the Company's performance.

Variations in Market Capitalization of the Company

There has been no trading in the shares on any of the Stock exchanges during the year under scrutiny and hence this data has not been provided.

Average percentile increase already made in the salaries of employees other than the managerial personnel in the last financial year and its comparison with the percentile increase in the managerial remuneration and justification thereof and point out if there are any exceptional circumstances for increase in the managerial remuneration;

There was no increment found in salaries of the employees in your company during the financial year.

The ratio of the remuneration of the highest paid director to that of the employees who are not directors but receive remuneration in excess of the highest paid director during the year

There are no employees who receive remuneration in excess of the highest paid Director during the year.

Details of pecuniary relationship or transactions of the non-executive directors vis-à-vis the company

There are currently Three Non-Executive Directors in the Company of which one is Independent Director and he is not in receipt of any sitting fee for any of the meetings attended.

Mrs. B K Merchant, Non-Executive holds 500 Equity shares as of 31st March 2018.

Dr. A K Merchant, Non-Executive holds 500 Equity Shares as of 31st March 2018.

Mr. Zergam Haider Rizvi , Non-Executive and independent director does not hold any Equity Shares as of 31st March, 2018.

Other than the Sitting fees, they do not have any pecuniary relationship or transactions with the Company.

ADEQUACY OF INTERNAL FINANCIAL CONTROLS:

The Company has not appointed any internal auditor since the operations of the company does not have any major operations.

LOANS FROM DIRECTORS

The company has not received any loans from Directors during the financial year.

DISCLOSURE UNDER THE SEXUAL HARASSMENT OF WOMEN AT WORK PLACE (PREVENTION, PROHIBITION AND REDRESSAL) ACT, 2013:

The Company has in place an Anti-Sexual Harassment Policy in line with the requirements of The Sexual Harassment of Women at the Workplace (Prevention, Prohibition & Redressal) Act, 2013. Internal Complaints Committee (ICC) has been set up to redress complaints received regarding sexual harassment. All employees (permanent, contractual, temporary, trainees) are covered under this policy.

The Company has not received any complaint on sexual harassment during the financial period ended 31.03.2018.

SIGNIFICANT AND MATERIAL ORDERS PASSED BY THE REGULATORS OR COURTS OR TRIBUNALS IMPACTING THE GOING CONCERN STATUS AND COMPANY'S OPERATIONS IN FUTURE:

During the year there are no significant and Material orders passed by the Regulators or Courts or Tribunals impacting the going concern status and Company's operations in future.

MATERIAL CHANGES AND COMMITMENTS, IF ANY, AFFECTING THE FINANCIAL POSITION OF THE COMPANY WHICH HAS OCCURRED SINCE 31.03.2018 TILL THE DATE OF THIS REPORT:

There are no material Changes and commitments affecting the financial position of the company which has occurred since 31.03.2018 till the date of this report.

EXTRACT OF ANNUAL RETURN:

An extract of the Annual Return in form MGT-9 is annexed herewith as marked as Annexure B and forms part of this report.

RELATED PARTY TRANSACTIONS:

As required under SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the company has developed a policy on dealing with Related Party Transactions and such policy is disclosed on the company's website www.mkaromatics.com

There were no related party transactions entered into during the financial year by the company with its Promoters, Key Managerial Personnel or other designated persons which may have potential conflict with interest of the company at large other than the remuneration paid to the Executive Directors.

The details of Related Party Transactions as required under AS-18 are provided in the Notes to the Accounts.

CORPORATE GOVERNANCE:

As per the regulation 15(2) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the provisions of Corporate Governance are not applicable to the Company and accordingly corporate Governance Report along with other requirements thereon is not required to be attached to Director's report.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO:

The details on Conservation of energy, technology absorption, foreign exchange earnings and outgo is annexed herewith as marked as Annexure C and forms part of this report.

DIRECTOR'S RESPONSIBILITY STATEMENT:

In terms of Section 134 (5) of the Companies Act, 2013, the directors would like to state that:

- i. In the preparation of the annual accounts, the applicable accounting standards have been followed.
- ii. The directors have selected such accounting policies and applied them consistently and made judgments and estimates that were 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 or loss of the Company for the year under review.
- iii. The directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- iv. The directors have prepared the annual accounts on a going concern basis.
- v. The directors had not laid down internal financial controls to be followed by the company and that such internal financial controls are not adequate
- vi. The directors had devised proper system to ensure compliance with the provisions of all applicable laws and that such system were adequate and operating effectively.

DEPOSITORY SYSTEM:

As the members are aware, your Company's shares are tradable in electronic form and the Company has established connectivity with both the Depositories i.e., National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL). In view of the advantages of the Depository System, the members are requested to avail of the facility of dematerialization of the Company's shares.

ACKNOWLEDGEMENTS:

The Directors wish to convey their appreciation to business associates for their support and contribution during the year.

The Directors would also like to thank the employees, members, customers, bankers, for the continued support given by them to the Company and their confidence reposed in the management.

The Directors appreciate and value the contributions made by every member of the company.

Place: Alathur Date: 27.08.2018	For and On behalf of the Board of Directors  Maresh K Merchant Chairman & Managing Director (DIN: 00835895)
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ANNEXURE – A**FORM NO. MR-3****SECRETARIAL AUDIT REPORT****FOR THE FINANCIAL YEAR ENDED 31.03.2018**

[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. MK AROMATICS LIMITED,