

AI CHAMPDANY INDUSTRIES LIMITED
DIRECTORS' REPORT

TO THE SHAREHOLDERS

Your Directors are pleased to present the Annual Report of your Company and the Company's Audited Financial Statements for the financial year ended 31 March 2018.

FINANCIAL RESULTS

(Rs. in lacs)

	Year ended 31 st March, 2018	Year ended 31 st March, 2017
Profit before Finance Cost, Depreciation, and Tax	1771.58	689.10
Finance Cost	1151.40	1301.36
Depreciation and Amortisation	409.45	406.07
Profit / (Loss) Before Tax	210.73	(1018.33)
Provision for Tax:		
- Current Tax	77.23	(24.00)
- Income tax for earlier years	(59.27)	-
- Deferred Tax (Asset)	17.26	(190.42)
Profit / (Loss) After Tax	175.51	(803.91)
Other Comprehensive Income	(159.50)	86.18
Total Comprehensive Income	16.01	(717.73)

DIVIDEND

Your Directors do not recommend any dividend on Equity and Preference Shares in view of carry forward loss.

OPERATIONS

Sales / Income from operation was Rs.129.61 Crores compared to Rs.106.08 Crores in the previous year. Export sales was higher at Rs.37.86 Crore compared to Rs.32.32 Crore in the previous year. Production would have even been higher but for shortage of skilled workers the company had to curtail its production. Management discussions & Analysis Report is annexed with this report which gives more information on performance & prospects of the industry and your Company.

CHANGE IN THE NATURE OF BUSINESS, IF ANY

There has been no change in the nature of business of the Company

EVENTS SUBSEQUENT TO THE DATE OF FINANCIAL STATEMENTS

There is no such material event after the date of financial statements.

RISK MANAGEMENT FRAMEWORK

Your company has a Risk Management Framework approved by the Board of Directors. The Risk Management Framework provides the mechanism for risk assessment and its mitigation. The Risk Management framework which has been entrusted to CFO for implementation/administration is being periodically reviewed by the Audit Committee and the Board of Directors.

None of the risks, the company is exposed to as described in appropriate part of financial statement and Management Discussion and Analysis Report, appears significant enough from the standpoint of the existential risk.

DISCLOSURE ON SEXUAL HARASSMENT OF WOMEN IN WORKPLACE

The Company has received no complaints from any women employee or other quarter during the year

attracting punitive provisions of Sexual Harassment of Women in Workplace (Prevention Prohibition & Redressal) Act, 2013.

PARTICULARS OF EMPLOYEES

There was no employee in receipt of remuneration exceeding the limit prescribed under Rule 5(2) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014.

CHANGES IN THE PAID UP EQUITY CAPITAL

During the year under review pursuant to special resolution passed by the shareholders by way of postal ballot on 07.02.2018 a total of 33,33,000 nos Equity Shares of face value of Rs.5/- each at a price of Rs.21/- (included share premium of Rs.16/- each) aggregating to Rs.699.93 lacs were allotted to the promoter group of companies namely Amar Investments Ltd, Rishra Investments Ltd and Shibir India Ltd on 14.02.2018. Accordingly Paid up Equity Share Capital of the company got increased by Rs.166.65 lacs with corresponding rise in share premium account by Rs.533.28 lacs. These shares were allotted in compliances with the SEBI (ICDR) Regulations 2009 amended upto date and as per the pricing formula prescribed in the said Rules and certified by the Statutory Auditors. These new shares so allotted have been listed on the NSE & BSE dated 19.03.2018 These shares are locked-in for trading for a period of 3 years i.e. upto 27.03.2021 as per the said SEBI Regulations. The Statutory Auditors of the company have certified compliances of all rules and regulations in respect of above preferential allotment. Proceeds of the above issue have been utilised for the purpose as mentioned in the Notice to the shareholders dated 16.11.2017 i.e. for reduction of liabilities which has also been certified by the Statutory Auditors of the company.

KEY MANAGERIAL PERSONNEL

The following are the Key Managerial Personnel of the Company as on the date of this report.

1. Mr. Nirmal Pujara, Managing Director (reappointed w.e.f. 01.01.18 for a period of 5 years at the last Annual General Meeting held on 21.09.2017).
2. Mr. Umesh Kumar Keshri, Chief Financial Officer (w.e.f. 26.10.2017 in place of Mr. Prakash Nagar resigned w.e.f. 11.09.2017).
3. Mr. Binod Kumar Chowdhury, Company Secretary (w.e.f. 27.05.2017 in place of Mr. Binaya Kumar Dash resigned w.e.f. 11.02.2017).

PARTICULARS REGARDING CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO

Under Section 134 (3)(m) of the Companies Act, 2013, read with Rule 8 of the Companies (Accounts) Rules, 2014 particulars regarding conservation of energy, technology absorption and foreign exchange earnings and outgo are set out in a separate statement attached to this report and forms part of it.

DIRECTORS

Mr. D J Wahwa

In accordance with the provisions of Section 152 of the Companies Act 2013 and Articles of Association of the Company, Mr. D J Wadhwa, Chairman retires by rotation at the forthcoming Annual General Meeting and being eligible offers himself for reappointment. The Board recommends his reappointment for approval of the members. The brief profile of Mr. Wadhwa is given in the Notice convening the Annual General Meeting. As per 17(1) (a) of SEBI regulation (LODR) Regulation 2015 a special resolution is required to be passed for his reappointment in view of his having attained the age of more than 75 years. Accordingly, a special resolution is proposed in the AGM Notice.

Ms. Ramya Hariharan

The tenure of Ms. Ramya Hariharan, Independent Director is valid upto the ensuing Annual General Meeting. She has given her consent for reappointment as an Independent Director for a further term upto

the conclusion of Annual General Meeting to be held in the year 2023 for which necessary resolution is being proposed in the Notice of ensuing AGM.

Mr. S M Palia & Mr. Harbhajan Singh

The tenure of Mr. S M Palia and Mr. Harbhajan Singh, Independent Directors is valid upto the ensuing Annual General Meeting. Since both of them have completed 2 consecutive terms they are not seeking any further appointment. The Board places on record its sincere appreciation for the services and valuable guidance received from Mr. Palia & Mr. Singh during their long tenure as members of the Board & wish them good health in retired life.

Dr. G Goswami

Dr. G Goswami was appointed as an Independent Director at the last Annual General Meeting held on 21.09.2017 for a second term of 5 years and his appointment is valid upto the AGM to be held in the year 2022. He has attained the age of more than 75 years and as such as required under regulation 17 (1) (a) of SEBI (LODR) Regulations 2015, a special resolution is being proposed in the Notice convening ensuing AGM for his continuation as Director beyond 75 years of age. The Board recommends for passing the special resolution.

DISCLOSURES ON MANAGERIAL REMUNERATION

Details of Managerial Remuneration as required under Rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 is given as **Annexure I** of this Report.

STATUTORY AUDITORS

M/s G Basu & Co., Chartered Accountants (ICAI FRN 301174E) has been appointed as the Statutory Auditors of the Company for a term upto the conclusion of Annual General Meeting to be held in the year 2022 by the Members in the 99th Annual General Meeting held on 21 September 2017.

COST AUDITORS

M/s N Radhakrishnan & Co, Cost Accountants has been appointed as Cost Auditor for auditing the cost accounts of the Company for the year ended 31 March 2018 by the Board of Directors. The remuneration proposed to be paid to the Cost Auditor requires ratification of the shareholders of the Company. In view of this, your ratification for payment of remuneration to the Cost Auditor is being sought at the ensuing Annual General Meeting.

M/s N. Radhakrishnan & Co., Cost Accountants, has given his consent to act as Cost Auditor of the Company confirming that his appointment is within the limits of Section 139 and certified that he is free from any disqualifications specified under Section 148(5) and all other applicable provisions of the Companies Act, 2013.

The Cost Audit Report for the year 2016-17 has been filed with the Ministry of Corporate Affairs on 21 December 2017 which is within due date of 31 December 2017.

DIRECTORS' RESPONSIBILITY STATEMENT

To the best of knowledge and belief and according to the information and explanation received from the day to day operating management, your Directors make the following statements pursuant to Sub-Section (5) of Section 134 of the Companies Act, 2013:

- a) that in the preparation of the annual accounts for the financial year ended 31st March, 2018, the applicable accounting standards had been followed along with proper explanation relating to material departures;
- b) that 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 of the Company for

- that period;
- c) that 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) that the Directors have prepared the annual accounts for the financial year ended 31st March, 2018, on a going concern basis;
 - e) that the Directors, have laid down internal financial controls to be followed by the Company and that such internal financial controls are adequate and are operating effectively and;
 - f) that 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;

EXTRACT OF ANNUAL RETURN

As required pursuant to section 92(3) of the Companies Act, 2013 and rule 12(1) of the Companies (Management and Administration) Rules, 2014, an extract of Annual Return in MGT 9 is annexed as **Annexure II**.

SECRETARIAL AUDIT REPORT

Pursuant to the provisions of section 204 of the Companies Act 2013 and The Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, the Secretarial Audit Report submitted by M/s K. Arun & Co., Company Secretaries, is enclosed as part of this report as **Annexure III**.

EXPLANATION OR COMMENTS BY THE BOARD ON EVERY QUALIFICATION, RESERVATION OR ADVERSE REMARK OR DISCLAIMER MADE BY THE STATUTORY AUDITOR IN HIS REPORT, BY THE COMPANY SECRETARY IN PRACTICE IN HIS SECRETARIAL AUDIT REPORT AND BY THE COST AUDITOR IN HIS COST AUDIT REPORT

There is no qualification either by the Statutory Auditors or by Secretarial Auditors or by the Cost Auditor hence no explanation or comments by the Board is applicable on this account.

MEETINGS OF THE BOARD

Six Meetings of the Board of Directors were held during the year. For further details please refer to report on Corporate Governance annexed in this Annual Report.

CONSOLIDATED FINANCIAL STATEMENT

In accordance with section 129(3) of Companies Act 2013 and IND AS-103/110, the Consolidated Financial Statement is provided in the Annual Report.

STATEMENT CONTAINING SALIENT FEATURES OF FINANCIAL STATEMENTS OF SUBSIDIARY

Pursuant to sub-section (3) of Section 129 of the Act, the statement containing the salient feature of the financial statement of a company's subsidiary i.e. Champdany Construction Ltd is presented in a separate section in **Form AOC 1** as **Annexure IV**.

LISTING WITH THE STOCK EXCHANGES

The Company's shares are listed on the BSE Ltd. (BSE) and National Stock Exchange of India Ltd. (NSE) and annual listing fees for financial year 2018-19 has been paid to the BSE and NSE.

SIGNIFICANT & MATERIAL ORDERS PASSED BY THE REGULATORS

No significant & Material Orders relating to settlement of tax liabilities, operation of patent rights, depression in market value of investments, institution of cases by or against the company, sale or purchase of capital assets or destruction of any assets etc. were passed by the Regulators for or against the Company during the financial year ended 31st March 2018.

INTERNAL FINANCIAL CONTROL SYSTEM WITH REFERENCE TO THE FINANCIAL STATEMENTS AND ITS ADEQUACY

The Company has Internal Financial Control system with reference to financial statements commensurate with the size, scale and complexity of its operations. The system encompasses the major processes to ensure reliability of financial reporting, compliance with policies, procedures, laws and regulations, safeguarding of assets and economical and efficient use of resources, which has been broadened / enlarged during the year to cater to the exigencies of IND AS applicable to the company from the year under review enjoining massive paraphernalia in the sphere of disclosure requirements and accounting treatments, the latter laying greater emphasis on economic substance of accounts in departure from historic basis of accounts under erstwhile traditional GAAP.

The internal Auditors continuously monitor the efficacy of Internal Financial Control system with the objective of providing to the Audit Committee and the Board of Directors, an independent, objective and reasonable assurance on the adequacy and effectiveness of the Company's risk management with regard to the Internal financial Control system with reference to the financial statements.

The Audit Committee meets regularly to review reports submitted by the Internal Auditors. The Audit Committee also meet the Company's Statutory Auditors to ascertain their views on the financial statements, including the financial reporting system and compliance to accounting policies and procedures followed by the Company under revised dispensation.

PARTICULARS OF LOANS, GUARANTEES OR INVESTMENTS UNDER SECTION 186 OF THE COMPANIES ACT 2013

Those are duly addressed in Note No.39 of Standalone financial statements.

PARTICULARS OF CONTRACTS, ARRANGEMENTS ENTERED INTO WITH RELATED PARTIES

During the financial year, the Company had not entered into any contract / arrangement / transactions with related parties which are materially significant.

All contracts/transactions/arrangements entered by the Company with Related parties during the financial year were in the ordinary course of business and on arm's length basis and the provisions of Section 188 are not attracted, which have been duly disclosed in Note No. 31 of financial statements.

PREVENTION OF INSIDER'S TRADING

In terms of provisions of SEBI (Prohibition of Insider Trading) Regulations, 1992 and its subsequent Amendments in 2008 and 2015, the Company has adopted a model Code of Conduct for prevention of Insider Trading in the shares and securities of the Company. The Code, inter alia, prohibits purchase, sale of the shares of the Company by the Directors, Officers and Designated Employees while in possession of the unpublished price sensitive information in relation to the Company. The Company Secretary is the Compliance Officer for the purpose of these Regulations.

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

Management discussion and Analysis Report for the year under review as stipulated under Regulation 34 of the Listing Regulations is presented in a separate section forming part of this Annual Report.

CORPORATE GOVERNANCE

The Company has implemented the procedures and adopted practices in conformity with the Code of Corporate Governance as prescribed by SEBI. The Corporate Governance Report and a Certificate from the Auditors of the Company certifying compliance with the conditions of Corporate Governance are attached hereto and form part of the Directors' Report.

ENVIRONMENT AND SAFETY

The Company is conscious of the importance of environmentally clean and safe operations. The Company's policy requires the conduct of all operations in such manner so as to ensure safety of all concerned, compliance of statutory and industrial requirements for environment protection and conservation of natural resources to the extent possible.

INDUSTRIAL RELATIONS

Industrial Relations in all units and branches of the Company remained generally cordial and peaceful throughout the year, except Units under suspension of work, etc. as mentioned in Management Discussion & Analysis Report annexed herewith.

ACKNOWLEDGEMENTS

Your Directors take this opportunity to place on record their appreciation of the continuous support, encouragement and co-operation received from the Company's bankers, the Government of West Bengal, customers, employees, shareholders and other business associates.

Place: Kolkata
Dated: 12 June 2018

On Behalf of the Board

B. Wadhwa
N. Pujara
Directors

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

A. Industry Structure and Development:

During the year operating cycle for the Jute Industry was favourable because of adequate availability of raw jute at reasonable prices coupled with Govt demand for 'B' Twill bags which continued to be strong. In fact at times the Industry could not satisfy such demand in time because of excessive orders and shortage of skilled work force leading to under utilisation of capacity base. Sincere efforts are in process to augment the productivity of workers by giving them suitable training and to increase productive & qualitative edifice of the Industry for the purpose of retaining its stock among Key market players. Besides modernization of the mills by installing labour saving machineries, are among needs of hour to provide better quality seeds to farmers to improve the quality and yield of Raw Jute so that Jute products remain competitive in terms of price & quality in long term perspective.

B. Opportunities/Threats, Risks & Concerns:

❖ Opportunities

With rising food grain production and procurement by Government agencies, demand for 'B' Twill bags from the sources of Government procurement agencies continues to be good. Hence, Jute Industry needs to avail this opportunity by way of gearing up production of 'B' Twill Bags.

Of late there is a growing concern in the Country as well as abroad to reduce use of plastic materials reportedly is causing serious environmental damage. Some State Governments have banned use of plastic bags on alleged ground of choking drainage system in addition to causing environmental hazards. Jute being bio-degradable and environment friendly fibre is well positioned to experience new demand resulting from reduction in plastic uses. Hence there are enormous opportunities for developing alternate products made out of jute or blended with other natural fibers to address this new demand. Industry needs to take immediate measures in this direction which apart from providing better margin would also create long term sustainable market for the Jute Industry.

❖ Threats / Risks and Concerns

At present the main concern for the Industry is shortage of skilled man power resulting in lower production. Therefore Industry body with the support from State / Central Govt should devise a suitable scheme so that new workers are given proper training to conform to productive exigency on sustainable basis. It is ironical to note that on the one hand there is high rate of unemployment in the country whereas on the other hand Jute Industry is suffering from shortage of skilled workers. Besides the Industry is heavily dependent on Govt orders. New usage of jute should therefore be explored for development.

B. Outlook: