

DIRECTOR'S REPORT

To the Members,
Of KATARE SPINNING MILLS LIMITED

Your Director's have pleaser in presenting their **38th Annual Report** of the Company together with its Audited Statement of Profit & Loss for the year ended 31st March, 2018 and the Balance Sheet as on that date.

1. Financial Highlights

	(Rs. In lacs)	
	2017-18	2016-17
Turnover	3292.36	3608.24
Profit Before Interest & Depreciation	48.31	48.20
Less : Interest	319.10	305.70
Loss before depreciation	-270.79	-257.50
Less : Depreciation	108.10	110.35
Loss after depreciation & before taxation	-378.89	-367.85
Add : Excess provision in the last year	0	0.76
Less: Tax expenses relating to previous year	0	9.52
Add/Less: Deferred Tax Liability/Assets	87.23	115.33
Profit / loss for the period	-291.66	-261.28
Add : Balance carried from previous year	-148.32	112.96
Loss carried forward	-439.98	-148.33

2. STATE OF AFFAIRS OF THE COMPANY/BUSINESS OVERVIEW

SPINNING MILL INDUSTRY

In general, the performance of the cotton yarn industry depends upon the swings of demand by the market forces which closely track the economic trend. The exception to this rule is, the demand for specialty cotton yarn which is consistent and growing. On bouncing of economic conditions, the demand trend is expected to be more positive for the current year even for normal segment of cotton yarn and that would drive more demand for specialty cotton yarn.

SOLAR POWER PROJECT

The Company has already Commissioned Rooftop Solar Power Project at Hotel and has getting good benefit by way of reduction in monthly electricity bills of the Hotel as usual.

Considering the involvement of power part in the cost of finished goods, the Company has set up 1 MW power project for captive consumption and accordingly, pleased to inform you that the Company has successfully commissioned 1 MW Solar Power plant for captive consumption in the month of April, 2015. This is the first net metering installation in the Maharashtra. During the financial year total 15,97,460 electricity units have been generated and it helps the Company to save in electricity bill substantially.

3. ANNUAL RETURN

The extracts of Annual Return pursuant to the provisions of Section 92 read with Rule 12 of the Companies (Management and Administration) Rules, 2014, is furnished in MGT-9 and is attached to this Report and also the said report is available on Company's Website- www.katarespinningmillslimited.com.

4. DIVIDEND

Since the Company has incurred the losses during the financial year under review the directors do not recommend any amount of dividend for the year.

5. BOARD MEETINGS

During the year under review, 7 (Seven) Board Meetings were held and the intervening gap between the meetings did not exceed the period prescribed under the Act, the details of which are given in the Corporate Governance Report.

6. BOARD EFFECTIVENESS

The Company has adopted the Governance guidelines which, inter alia, cover aspects related to composition and role of the Board, Chairman and Directors, Board diversity, definition of independence, Director's term, retirement age and Committees of the Board. It also covers aspects relating to nomination, appointment, induction and development of Directors, Director's Remuneration, Code of Conduct, Board Effectiveness Review and mandates of Board Committees.

A. Board Evaluation

The Board of Directors has carried out an annual evaluation of its own performance, Board Committees and individual Directors pursuant to the provisions of the Act and the corporate governance requirement as prescribed by Securities Exchange Board of India (SEBI) (Listing Obligations and Disclosure Requirements) Regulations, 2015.

The performance of the Board was evaluated by the Board after seeking inputs from the Directors on the basis of the criteria such as the Board Composition and structures, effectiveness of board processes, information and functioning, etc. The performance of the committees was evaluated by the Board after seeking inputs from the committee members on the basis of the criteria such as the composition of committees, effectiveness of committee meetings, etc.

The Board and the Nomination and Remuneration Committee (NRC) reviewed the performance of the individual Directors on the basis of the criteria such as the contribution of the individual Director to the Board and Committee meetings like preparedness on the issues to be discussed, meaningful and constructive contribution and inputs in meetings, etc. In addition, the Chairman was also evaluated on the key aspect of his role.

B. Appointment of Directors and Criteria for determining Qualifications, positive attributes, independence of a Director

The NRC is responsible for developing competency requirements for the Board based on the industry and strategy of the Company. The NRC reviews and meets potential candidates, prior to recommending their nomination to the Board. At the time of appointment, specific requirements for the position, including expert knowledge expected, is communicated to the appointee.

The NRC has formulated the criteria for determining qualifications, positive attributes and independence of Directors in terms of provisions of Section 178 (3) of the Act and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015:

Independence: A Director will be considered as an 'Independent Director' if he/ she meets with the criteria for 'Independence' as laid down in the Act, (SEBI) (Listing Obligations and Disclosure Requirements) Regulations, 2015.

Competency: A transparent Board nomination process is in place that encourages diversity of thought, experience, knowledge, perspective, age and gender. It is ensured that the Board has a mix of members with different educational qualifications, knowledge and with adequate experience in banking and finance, accounting and taxation, legal and regulatory matters, hospitality sector and other disciplines related to the Company's businesses.

Additional Positive Attributes:

- The Directors should not have any other pecuniary relationship with the Company and the Company's promoters, except as provided under law.
- The Directors should maintain an arm's length relationship between themselves and the employees of the Company, as also with the Directors and promoters, stakeholders for whom the relationship with these entities is material.
- The Directors should not be the subject of proved allegations of illegal or unethical behavior, in their private or professional lives.
- The Directors should have the ability to devote sufficient time to the affairs of the Company.

C. Remuneration Policy

The Company had adopted a Remuneration Policy for the Directors, KMP and other employees, pursuant to the provisions of the Act and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

The key principles governing the Company's Remuneration Policy are as follows:

- Independent Directors (ID) may be paid sitting fees for attending the meetings of the Board and of Committees of which they may be members, and receive commission within regulatory limits, as recommended by the NRC and approved by the Board.
- Overall remuneration should be reasonable and sufficient to attract, retain and motivate Directors aligned to the requirements of the Company; taking into consideration the challenges faced by the Company and its future growth imperatives.
- Remuneration paid should be reflective of the size of the Company, complexity of the sector/ industry/Company's operations and the Company's capacity to pay the remuneration and be consistent with recognized best practices.

Remuneration for Managing Director (MD)/ Executive Directors (ED)/ rest of the Employees

The extent of overall remuneration should be sufficient to attract and retain talented and qualified individuals suitable for every role. Hence remuneration should be market competitive, driven by the role played by the individual, reflective of the size of the Company, complexity of the sector/ industry/ Company's operations and the Company's capacity to pay, consistent with recognized best practices and aligned to any regulatory requirements.

Basic/ fixed salary is provided to all employees to ensure that there is a steady income in line with their skills and experience. In addition, the Company provides employees with certain perquisites, allowances and benefits to enable a certain level of lifestyle and to offer scope for savings.

In addition to the basic / fixed salary, benefits, perquisites and allowances as provided above, the Company provides MD/ EDs such remuneration by way of commission, calculated with reference to the net profits of the Company in a particular financial year, as may be determined by the Board, subject to the overall ceilings stipulated in Section 197 of the Act. The specific amount payable to the MD/ EDs would be based on performance as evaluated by the NRC and approved by the Board.

It is affirmed that the remuneration paid to Directors and all other employees is as per the Remuneration Policy of the Company.

7. SIGNIFICANT AND MATERIAL ORDERS PASSED BY THE REGULATORS

During the Financial year under review, no significant material orders were passed by the regulators or courts or tribunals impacting the going concern status and the Company's operations.

8. AUDIT COMMITTEE

Details pertaining to the composition of Audit Committee are included in the Corporate Governance Report, which forms part of the Annual Report.

9. DIRECTORS AND KMP

As per the provisions of Section 152 of the Companies Act, 2013, Mr. Subhash T. Katare (DIN 00685066), who retires by rotation at this meeting and being eligible offered himself for re-appointment, the matter is placed before member of the Company for approval.

Also, as per the provisions of Sections 196, 197 and 203 read with Schedule V and other applicable provisions, if any, of the Companies Act 2013, consent of shareholder is require for re-appointment of Mr. Kishore T. Katare (DIN 00645013) as a Chairman and Managing Director of the Company for the period of 5 years starting from 01st July, 2018 to 30th June, 2023 without remuneration and the matter is placed before member of the for approval.

The Company has received declarations from all the Independent Directors confirming that they meet the criteria of independence as prescribed both under the Act and SEBI (Listing Obligations and Disclosure requirements) regulations, 2015.

10. RESERVES

There was no transfer of any amount to Reserve account of the Company, as the Company was having the losses during year. The Company is trying for betterment of future for it.

11. CORPORATE GOVERNANCE

The members may please note that the provisions relating to Corporate Governance i.e. Regulation 27 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 are not applicable to the Company and accordingly, the Company is not required to submit the Corporate Governance Report with this Annual Report. However, keeping in view the objective of encouraging the use of better practices through voluntary

adoption, the Company has decided to adopt and disseminate voluntary disclosure of Corporate Governance which not only serve as a benchmark for the corporate sector but also help the Company in achieving the highest standard of corporate governance. Accordingly, a voluntary disclosure i.e. the report on Corporate Governance as stipulated under regulation 34(3) read with Schedule V of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 is annexed herewith and forms a part of this report.

As such the Members may note that any omission of any corporate governance provisions shall not be construed as non-compliance of the above mentioned regulations.

12. AUDITORS & THEIR REPORTS

Pursuant to the provisions of section 139, 142 and other applicable provisions, if any, of Companies Act, 2013, read with Rule 6 of Companies (Audit and Auditors) Rules, 2014 and pursuant to the recommendation of the Audit Committee, M/s N. R. Waghchaure & Associates, Chartered Accountants, (Firm Registration Number 114999W), was appointed as a Statutory Auditors of the Company and the appointment of the Statutory Auditors of the Company along with a confirmation that, their appointment, made by the members, in the last year was within the limits prescribed under the Companies Act, 2013. The board of directors hereby recommends the ratification of appointment of Statutory Auditor in the ensuing Annual General Meeting of the Company.

The report of the Statutory Auditors along with the notes to Schedules is enclosed to this report and also the report contains qualification, reservation or adverse remark or disclaimer for the financial year under review.

13. RESPONSE TO AUDITORS QUALIFICATION

The board of the Company has discussed the points as mentioned in the Auditors report for period under review, in respect to this management is taking the necessary steps towards it.

The Company has incurred losses in the past years and charging of deferred interest to profit & Loss account would further increase the loss. Therefore, the Company is trying for betterment of future of it and also anticipates good results in ensuing year in which situation the entire amount is proposed to be written off.

14. SECRETARIAL AUDIT

Pursuant to the provisions of the Section 204 of the Companies Act, 2013 and The Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, the Company has appointed M/S. NIKHIL SAWANT & CO. Company Secretaries Pune, as Secretarial Auditor to undertake the Secretarial Audit of the Company for the financial year 2017-18. The Report is Self-explanatory annexed herewith however; the Company has initiated necessary steps to comply with queries and/or non-compliances mentioned under the Secretarial Audit Report as per the provisions of the Companies Act, 2013 and the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

15. INTERNAL FINANCIAL CONTROL

The Company has in place internal financial control systems, commensurate with the size and complexity of its operations to ensure proper recording of financial and operational information and compliance of various internal controls and other regulatory and statutory compliances. The internal auditor monitors and evaluates the efficacy and adequacy of internal control systems in the Company. Based on the report of the internal auditor, respective departments undertake corrective action in their respective areas and thereby strengthen the controls. Significant audit observations and corrective actions there on are presented to the Audit Committee of the Board.

16. ENERGY CONSERVATION, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO

The information on conservation of energy, technology absorption and foreign exchange earnings and outgo stipulated under Section 134(3) (m) of the Companies Act, 2013 read with Rule 8(3) of The Companies (Accounts) Rules, 2014, is annexed herewith separately.

17. DEPOSITS

The Company has not accepted or renewed any deposits from the public during the year under review in terms of the Companies (acceptance of deposits) Rule, 2014.

18. RELATED PARTY TRANSACTIONS

All Related Party Transactions (RPTs) that were entered into during the financial year were on an arm's length basis and in the ordinary course of business. Accordingly, detailed information given in form AOC-2 which is annexed herewith separately.

There were no materially significant RPTs entered into by the Company during the year.

19. RISK MANAGEMENT

The Company has adopted a Risk Management Policy, pursuant to the provisions of Section 134 of the Act, which has a robust Risk Management framework to identify and evaluate business risks and opportunities. This framework seeks to create transparency, minimize adverse impact on business objectives and enhance the Company's competitive advantage.

The risk framework defines, the risk management approach across the enterprise at various levels including documentation and reporting.

The framework enables risks to be appropriately rated and graded in accordance with their potential impact and likelihood. The two key components of risks are the probability (likelihood) of occurrence and the impact (consequence) of occurrence, if the risk occurs. Risk is analyzed by combining estimates of probability and impact in the context of existing control measures.

20. LOANS, GUARANTEES AND INVESTMENTS

The Company has not made any investments or given any loans or guarantees or provided any security in connection with a loan to any person or body corporate, covered under Section 186 of the Companies Act, 2013.

21. CORPORATE SOCIAL RESPONSIBILITY INITIATIVE

As the net worth of the Company is less than Rs. Five hundred crores, further the turnover of the Company is less than Rs. One thousand crores and net profit of the Company does not exceed Rs. Five crore or more at any point during the financial year,

therefore the Company is not obliged to form Corporate Social Responsibility committee as per terms of section 135 (1) of the Companies Act, 2013.

22. PARTICULARS OF EMPLOYEES

There are no employee drawing remuneration exceeding the limits prescribed under Section 134(3) (q) read with Rule 5 of Rules 2014 and hence no details are required to be annexed to this report.

23. VIGIL MECHANISMS/WHISTLE BLOWER POLICY

The Company has established a vigil mechanism named as 'Whistle Blower Policy' within the Company in compliance with the provisions of Section 177(10) of the Companies Act, 2013 and Regulation 4(2)(d)(iv) of the Listing Regulations, 2015.

The policy of such mechanism has been circulated to all employees within the Company, which provides a framework to the employees for guided & proper utilization of the mechanism.

24. SEPARATE MEETING OF INDEPENDENT DIRECTORS

The Independent Directors were fully kept informed of the Company's activities in all its spheres. During the year under review, a separate meeting of Independent Directors was held on 21st April, 2017 and the Independent Directors reviewed the performance of (i) non-Independent directors and (ii) the board as whole.

They also assessed the quality, quantity and timelines of flow of information between the Company's Management and the Board that are necessary for the Board to effectively and reasonably perform their duties. All the Independent Directors were present at the meeting.

25. SAFETY MEASURES

i. INSURANCE-

Your Company continued to cover all assets mainly; plant & machinery, building, materials, stock, furniture & fixtures against possible risks like fire, flood, terrorism and earthquake.

ii. INDUSTRIAL RELATIONS-

The industrial relations at the plants of the Company during the year under review continued to be cordial throughout the year.

26. MANAGEMENT'S DISCUSSION AND ANALYSIS REPORT

Management's Discussion and Analysis Report for the year under review, as stipulated under Regulation 34 read with Schedule V to the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ('Listing Regulations'), is presented in a separate section forming part of the Annual Report.

27. DISQUALIFICATION OF DIRECTORS

All Directors on the Board of the Company have not incurred any disqualification on account of non-compliance with any of the provisions of the Companies Act, 2013.

28. DIRECTOR'S RESPONSIBILITY STATEMENT

The Board of Directors acknowledge the responsibility for ensuring compliance with the provisions of Section 134(3)(c) read with Section 134(5) of the Companies Act, 2013 in the preparation of annual accounts for the year ended on 31st March, 2018 and state that:

1. In the preparation of the annual accounts, the applicable accounting standard had been followed along with proper explanation relating to material departures;
2. The directors had selected such accounting policies and applied them consistently and made judgment 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 covered under this report and of the profit and loss of the Company for that period.
3. The Directors had 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.
4. The Directors had prepared the annual accounts on a going concern basis.
5. The Directors had laid down internal financial control to be followed by the Company and that such internal financial control are adequate and were operating effectively:
and
6. The Directors had devised proper systems to ensure compliance with the provision of all applicable laws and that such systems were adequate and operative effectively.

29. DETAILS OF SUBSIDIARIES, JOINT VENTURES OR ASSOCIATE COMPANIES

The Company does not having any subsidiaries or joint ventures within the meaning of this clause and hence no details are required to be given.

30. DISCLOSURES AS PER THE SEXUAL HARASSMENT OF WOMEN AT WORKPLACE (PREVENTION, PROHIBITION AND REDRESSAL) ACT, 2013

The Company has zero tolerance for sexual harassment at its workplace and has adopted a Policy on prevention, prohibition and redresses of sexual harassment at the workplace in line with the provisions of the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redresses) Act, 2013 and the Rules thereunder for prevention and redresses of complaints of sexual harassment at workplace.

31. APPRECIATION

Your Directors would like to place on record their appreciation for the co-operation and assistance received from the banks, for the utmost confidence reposed in the management by the shareholders and customers during the year under review. Your Directors wish to thank for the services of the executive, staff and workers of the Company at all levels for their dedication, devotion, determination and discipline. The Directors express their profound thanks to the shareholders for their continued support and goodwill and they look forward to the future with confidence.

By Order of the Board of Directors
KATARE SPINNING MILLS LIMITED

SD/-

KISHORE KATARE
Managing Director
(DIN No.-00645013)

Place: Solapur
Date: 14th August, 2018