Note No: 29

Notes to Standalone Financial Statement as on 31.03.2018

1. Background:

Katare Spinning Mills Limited (the company') is a company limited by shares, incorporated and domiciled in India. The company is engaged in the manufacture of cotton yarn, solar power and is also engaged in the hospitality business.

2. Significant accounting policies

2.1 System of Accounting:

First-time adoption of Ind AS Pursuant to the Companies (India Accounting Standard) Rules, 2015,

The Company has adopted 31st March 2018 as reporting date for first time adoption of India Accounting Standard (Ind AS) and consequently 1st April 2015 as the transition date for preparation of financial statements. The financial statements for the year ended 31st March 2018, are the first financials, prepared in accordance with Ind AS. Up to the Financial year ended 31st March 2017, the Company prepared its financial statements in accordance with the Accounting Standards notified under the Section 133 of the Companies Act 2013, read together with Companies (Accounts) Rules 2014 (Previous GAAP).

For preparing these financial statements, opening balance sheet was prepared as at 1st April 2016 i.e., the date of transition to Ind AS. The figures for the previous periods and for the year ended 31st March 2017 have been restated, regrouped and reclassified, wherever required to comply with Ind AS and Schedule III to the Companies Act 2013 so as to make them comparable.

This note explains the principal adjustments made by the Company in restating its financial statements prepared in accordance with Previous GAAP, including the balance sheet as at 1st April 2016 and the financial statements as at and for the year ended 31st March 2017.

Exemptions:

Ind AS 101 allows first time adopters certain exemptions from the retrospective application of certain requirements under Ind AS.

On transition to Ind AS, the Company has applied the following exemptions:

1. Company has elected to continue with the carrying value of all of its property, plant and equipment recognized as at 1st April 2016 measured as per the previous GAAP and use that carrying value as the deemed cost of the property, plant and equipment.

2. Company has elected to continue with the carrying value of all of its intangible assets recognized as at 1st April 2016 measured as per the previous GAAP and use that carrying value as the deemed cost of intangible assets.

3. Ind AS 102 Share based payment has not been applied to equity instruments in share based

4. Historical cost convention

   The financial statements have been prepared on a historical cost basis, except for the followings:

   Certain financial assets and liabilities that are measured at fair value; (refer accounting policy regarding financial instruments)

   Defined benefit plans – plan assets measured at fair value

5. Current and non-current classification

   An asset is classified as current if:

   i.It is expected to be realized or sold or consumed in the Company's normal operating cycle;
   iiIt is held primarily for the purpose of trading;
   iii It is expected to be realized within twelve months after the reporting period; or
   ivIt is cash or a cash equivalent unless it is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

   All other assets are classified as non-current.

   A Liability is classified as current if:
   i It is expected to be settled in normal operating cycle;
   ii It is held primarily for the purpose of trading;
   iii It is expected to be settled within twelve months after the reporting period;
   iv It has no unconditional right to defer the settlement of the liability for at least twelve months after reporting period.
   All other liabilities are classified as non-current.

   The operating cycle is the time between acquisition of assets for processing and their realization in cash and cash equivalents. Based on the nature of products and time between acquisition of assets for processing and their realization in cash and cash equivalents, the Company has ascertained its operating cycle as 12 months for the purpose of current/non-current classification of assets and liabilities

2.2 Segment Reporting:

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision Maker. The Chairman and Managing Director has been identified as being the Chief Operating Decision Maker.

The segment results are as under: (Rs. In lakhs)

SEGMENT REVENUE	Spinning Division		Hotel Division		Solar Power		Total	
	2018	2017	2018	2017	2018	2017	2018	2017
Sales Revenue	2914	3171	198	387	125	126	3237	3684
Segment Result	(51)	(70)	(22)	12	67	66	(6)	8
Unallocated	(6)	(7)	0	0	0	0	(6)	(7)

Corporate Expenses								
Unallocated Corporate Income	15	15	0	0		0	15	15
Operating Profit	(42)	(62)	(22)	12	67	66	3	16
Interest Expenses	(146)	(132)	(26)	(27)	(147)	(147)	(319)	(306)
Interest Income	1	1	24	28	0	0	25	29
Profit/loss from ordinary activities	(187)	(193)	(24)	13	(80)	(81)	(291)	(261)
Extra-Ordinary items	0	0	0	0	0	0	0	0
Net Profit/loss	(187)	(193)	(24)	13	(80)	(81)	(291)	(261)
OTHER INFORMATION:								
Segment Assets	2488	2363	784	817	796	857	4068	4037
Segment Liabilities	2868	2738	404	442	796	857	4068	4037
Depreciation (net)	28	28	21	22	59	60	108	110

Power generated in solar division 15,97,460 units consumed captive for spinning division, valued at Rs. 140 lakhs.

2.3 Revenue recognition:

i) Revenue from Sale of Goods

Revenue from Sale of Goods is recognized when all the significant risk and rewards of ownership have been transferred to the buyer, revenue can be measured reliably, the costs incurred can be measured reliably, it is probable that the economic benefits associated to the transaction will flow to the entity and there is no continuing management involvement with the goods. Transfer or risks and rewards vary depending on the individual terms of contract of sale. Revenue from sale of goods is stated inclusive of excise duty when applicable and net of returns, trade allowances, rebates, sales tax, GST and amounts collected on behalf of third parties.

Income from guest accommodation in respect of hotel division is recognized on day to day basis after the guests checks-in. Discounts, if any, in this regard are accounted upon final conclusion of the bill with the guests. Any advance received in respect of the same is treated as a liability pending finalization of bill/provision of services. Income from sale of Food & Beverages is recognized at the point of serving of these items to the guests. The income stated is inclusive of luxury tax, service charge and VAT but net of complimentary and discounts.

In the case of solar power generation unit, it is mainly used for captive consumption. Units generated are treated as income and portion of the units used for captive consumption is booked as expenditure being used at the prevailing rates as if purchased from MSEDCL.

Dividends from investment are recognized as income of the year in which the same are declared by the investee company

ii) Interest Incomes:

There were no financial instruments requiring treatment specified under Ind AS. Interest income is included in Other Income in the Statement of Profit and Loss.

2.4 Income Taxes:

i. The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

ii. The current income tax charge is not calculated as the company is in operating loss.

iii. Income Tax is computed after adjustments of Other Comprehensive income

iv. Deferred income tax is provided in full, using the liability method, on temporary difference arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax assetis realized, or the deferred income tax liability is settled

v. Deferred tax assets are recognized for all deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilize those temporary differences and losses

vi. Current and deferred tax is recognized in profit or loss. Except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively

vii. Minimum Alternate Tax paid in accordance with tax laws, which give rise to the future economic benefits in the form of adjustment to future income tax liability, is considered as asset in the balance sheet when it is probable that future economic benefit associated with it will flow to the company and the asset can be measured reliably.

2.5 Impairment of Assets

Assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss will be recognized for the amounts by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is higher of an asset's fair value less costs of disposal and value in use. For the purpose of assessing impairment, assets are compared at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or Company of assets (cash- generating units). Non- financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

2.6 Cash and cash equivalents:

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowing in current liabilities in the balance sheet.

2.7 Trade receivables:

Trade receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment.

The trade receivable outstanding for more than one year are amounting to Rs. 116.27 Lakhs However, in the opinion of the management these are considered as good for recovery and has not been written as Bad.

2.8 Inventories:

a. Finished goods are valued at lower of cost or Net Realizable Value. Cost for this purpose is arrived at on Absorption costing basis. Excise duty is included in valuation of finished goods.
b. Stock in process/plant is valued at cost.
c. Stock of raw materials, Stores and Spares and packing materials are valued at cost. Cost for this purpose, does not include duties/taxes that are recoverable in future.
d. Food & Beverages:
   1) Groceries: Groceries is valued at cost arrived at on weighted average basis.
   2) Beverages: Valued at cost.

Consequent upon possession taken over by the lender bank of the hotel property, the stock which was perishable and unrealizable has been written off.

2.9 Investments and other financial assets.

i. Investments held by the company are not of the nature requiring valuation as measured by Ind AS and accordingly are stated at cost of acquisition.
ii. Impairment of financial assets

For trade receivable only, the company applies the simplified approach permitted by Ind AS 109Financial Instruments, which requires expected lifetime losses to be recognized from initial recognition of the receivables.

2.10 Offsetting financial instruments

There were no such financial instruments requiring off-set as prescribed under Ind AS.

2.11 Property, Plant and Equipment

Property, Plant and Equipment Leasehold land is carried at historical costs. All other items of property, plant and equipment are stated at cost less accumulated depreciation and impairment loss, if any.

Cost includes cost of acquisition, installation or construction, other direct expenses incurred to bring the assets to its working condition and finance costs incurred up to the date the asset is ready for its intended use and excludes cenvat / value added tax eligible for credit / setoff.

Such cost includes the cost of replacing part of the plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of plant and equipment are required to be replaced at intervals, the same are depreciated separately based on their specific useful lives. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in the statement of profit or loss as incurred.

Capital work-in-progress in respect of assets which are not ready for their intended use are carried at cost, comprising of direct costs, related incidental expenses and attributable interest. All identifiable Revenue expenses including interest incurred in respect of various projects / expansion, net of income earned during the project development stage prior to its intended use, are considered as pre - operative expenses and disclosed under Capital Work–in–Progress. Capital expenditure on tangible assets for research and development is classified under property, plant and equipment and is depreciated on the same basis as other property, plant and equipment.

Property, plant and equipment are eliminated from financial statements, either on disposal or when retired from active use. Losses arising in the case of the retirement of property, plant and equipment and gains or losses arising from disposal of property, plant and equipment are recognized in the statement of profit and loss in the year of occurrence.

Depreciation for Company

Depreciable amount for assets is the cost of an asset, or other amount substituted for cost, less its estimated residual value. Property, plant and equipment is provided on written down value method, over the useful life of the assets, as specified in Schedule II to the Companies Act, 2013. Property, plant and equipment which are added / disposed off during the year, depreciation is provided on pro-rata basis. Building constructed on leasehold land is depreciated based on the useful life specified in Schedule II to the Companies Act, 2013, where the lease period of the land is beyond the life of the building. In other cases, building constructed on leasehold lands is amortized over the primary lease period of the lands. The asset's residual values, useful lives and methods of depreciation are reviewed at each financial year end and adjusted prospectively, 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.

2.12 Trade and Other Payables:

These amounts represent liabilities for goods provided to the company prior to the end of financial year which are unpaid. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognized initially at their fair value and subsequently measured at amortized cost using the effective interest method.

2.13 Borrowings:

Borrowings are initially recognized at fair value, net of transaction cost incurred. Borrowings are subsequently measured at amortized cost. Any difference between the proceeds (net of transaction costs)and the redemption amount is recognized in profit or loss over the period of the borrowings using the effectives interest method. Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In the case the fee is deferred until the draw down occurs.

Borrowings are classified as current liabilities unless the company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

2.14 Provision

Provision are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to the determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the liability. The increase in the provisions due to the passage of time is recognized as interest expenses. Provision for litigation related obligation represents liabilities that are expected to materialize in respect of matters in applicable cases.

2.15 Employee benefits:

- The Company's contribution to Provident Fund and pension fund are considered as defined contribution plans and are charged as an expense as they fall due based on the amount of contribution required to be made.
- Gratuity is accounted for on actual payment basis. No provision for gratuity on actuarial basis is made and hence it's effect on profit or loss cannot be ascertained.

2.16 Dividend: During the year, the company has not declared the dividend on its shares.

2.17 Contribution to Equity:

Equity shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.18 Earnings per share:

1. Basic earnings per share is calculated by dividing:
    - The profit attributable to owners of the company
    - By the weighted average number of equity shares outstanding during the financial year, adjusted for bonus elements in equity shares issued during the year.
2. Diluted earnings per share
    - Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:
    - The after 'income Tax' effect of interest and other financing costs associated with dilutive potential equity shares, and
    - The weighted average number of additional equity shares that would have been outstanding assuming the conversion of all dilutive potential equity shares

2.19 Excise Duty:

During the year under review Excise duty was not applicable to the products of the company.

2.20 Research and Development:

Revenue Expenditure on research and development is expensed in the period in which it is incurred. Capital expenditure on research and development is shown as additional fixed assets.

2.21 Information pertaining to Statement of Profit and Loss:

There were no foreign currency transactions.

2.22 Related Party Transaction

Name of the party	Relationship	Nature of transaction	Transaction Value	Dr /Cr Balance	Balance as on date of balance Sheet	Amount written off
Kishore T Katare	Managing Director	Remuneration Cr	6,00,000			
		Amount paid	2,943	Cr	10,14,372	Nil
Ganesh Textiles (Prop Kishore T Katare)			0	Cr	21,46,149	Nil
Ganesh Textiles (Yarn) - Prop Kishore T Katare		Amount received	11,88,270		0	Nil
Kishore T Katare (Loan)		Amount paid	10,49,133		0	Nil
Kishore T Katare (Hotel Div)		Amount received	50,000			
		Amount paid	60,000	Cr	13,13,842	Nil
Subhash Textiles A (Prop Subhash T Katare)	Director		0	Cr	3,51,262	Nil
Subhash Textiles (Prop Subhash T Katare)	Director	Land Rent credited	10,000			
		Amount received	5,074	Dr	4,39,549	Nil
SouVidyavati K Katare	Director	Sitting fees Cr	16,000	Cr	38,500	Nil
Vijay Textiles	Deceased Director	Rent credited	12,000			
		Amount received	48,000	Cr	5,77,320	Nil
Shakuntala T katare	Wife of Deceased Director	Nil	0	Cr	2,52,867	Nil
Sachin Textile	Daughter in Law of Director	Nil	0	Dr	15,956	Nil
Kamal Marketing Pvt Ltd	Associate Enterprise			CR	1,18,00,000	Nil
Kamal Marketing Pvt Ltd (Trade)		Purchase of yarn	7,43,98,798			
		Amount received	33,14,840			
		Sales of yarn	7,44,96,794			
		Cotton Processing Charges Debited	3,43,877			
		Electricity Charges Dr	5,97,293			
		Rent received	25,000			
		Amount paid	10,10,654	Cr	1,31,78,669	Nil
Kamal Marketing Pvt Ltd (Hotel)		Amount paid	1,23,250	Cr	1,73,077	Nil
Katare Cotton Waste Spg Mills	Associate Enterprise	Sales of yarn	17,18,84,361			
		Amount paid	22,72,373			
		Purchase of yarn	14,83,96,800			
		Amount received	2,74,52,146	Dr	86,36,419	
Katare Cotton Waste Spg Mills (Hotel Div)				Cr	11,11,067	
Rakesh V Katare	Son of Deceased Director	Amount paid	79,574	Dr	1,04,889	

2.23 Contingent Liability and Commitments:

- A present obligation arising from past events, when it is not probable that an outflow of resources will be required to settle the obligation;
- A present obligation arising from past events, when no reliable estimate possible;
- A possible obligation arising from the past events,unless the probability of outflow of resources is remote.

2.24 Critical estimates and Judgments:

The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Managements also needs to exercise judgment in applying the Company's accounting policies.

This note provides an overview of the areas that involved a higher degree of judgment or complexity, and of item which are more likely to be materially adjusted due to estimates and assumptions turning out to be different than those originally assessed.

Detailed information about each of these estimates and judgments is included in relevant notes together with information about the basis of calculation for each affected line item in the financial statement.

The areas involving critical estimates or judgments are:

I. Estimation of current expense and payable

II. Estimation of defined benefit obligations

III. Allowance for uncollected accounts receivable and advances-Trade receivable do not carry any interest and are stated at their nominal value as reduced by appropriate allowances for estimated irrevocable amounts. Individual trade receivable are written off when management deems them not to be collectible.

Impairment is made on the expected credit losses, which are the present value of the cash shortfall over the expected life of the financial assets.
Estimates and judgments are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the Company and that are believed to be reasonable under the circumstances.

2.25 Corporate Social Responsibility (CSR) Expenditure

In view of continuous losses, the Company has not incurred any expenditure on this aspect during the year under audit.

2.26 Risk Exposure

Through its defined benefit plans, the company is exposed to a number of risk, the most significant of which are detailed below;

- Interest rate risk: The plan exposes the Company to the risk of change in interest rate of the borrowings
- Salary Escalation Risk: The present value of the defined benefit is not calculated with the assumption of salary increase rate of plan participants in future.

- Demographic Risk: The Company has to use certain mortality and attrition in assumption in valuation of the liability. The company is exposed to the risk of actual experience turning out to be worse compared to the assumption.
- Asset Liability Mismatching or Market Risk: Market Risk is the risk that changes in market prices such as the prices of cotton and yarn largely depend upon the changes in the market prices.
- Financial Risk Management Objectives and Policies: The Company's activities expose it to a variety of financial risks, market risk, credit risk and liquidity risk. The Company's primary focus is to foresee the unpredictability of financial markets and seek to minimize potential adverse effects on its financial performance. The Company's financial liabilities comprise of borrowings, trade payable and other liabilities to manage its operation and financial assets includes trade receivables and other receivables etc. that arise from its operations
- Credit Risk: Credit risk refers to the risk of default on its obligation by the customer / counter party resulting in a financial loss. The maximum exposure to the credit risk at the reporting date is carrying value of respective financial assets. Trade receivables and unbilled revenue are typical unsecured and are derived from revenue earned from customers. Credit risk has always been managed by each business segment through credit approvals establishing credit limits and continuously monitoring the credit worthiness of customers to which the Company grants credit terms in normal course of business. On account of adoption of Ind AS 109 the Company uses expected credit loss model to assess the impairment loss or gain.
- Liquidity Risk: The Company's principle sources of liquidity are cash and cash equivalents, current investments and the cash flow that is generated from operations. Presently the Company suffers from inadequacy of working capital to meet its current requirements. Accordingly, liquidity risk is perceived but management is trying to find out the end and means to augment the same. The Company is closely monitoring its liquidity position to maintain adequate source of funding.

N.R.Waghchaure& Associates Chartered Accountants,
FRN: 114999W

Nilkanth R Waghchaure
Proprietor
ICAI Membership No :048890
Solapur, 30th May 2018

for and on behalf of the Board of Directors
Katare Spinning Mills Ltd.

SD/-
Kishor T. Katare (Managing Director)

SD/-
Subhash T. Katare (Director)

SD/-
Miss V K Katare (Director)

Note 30: Earnings Per Share (EPS) :

Particulars	31.03.2018	31.03.2017
a. Net Profit/(Loss) as per profit and loss a/c available for equity share holders	(29166145)	(26128458)
b. Weighted average no. of equity shares	2850000	2850000
c. Earnings/(Loss) per share	(9.85)	(9.17)

Note: There are no diluted equity shares therefore; no working is given for diluted earnings per share.

Note 31: Deferred Taxation: (Rs. In Lakhs)

Particulars	Balance as on 31.03.2017	Arising during the year	Balance as on 31.03.2018
A. Deferred Tax Liabilities:			
- on account of timing difference in depreciation	335.54	-31.88	303.66
- Others	106.63	4.64	111.27
Sub Total A:	442.17	-27.24	414.93
B. Deferred Tax Assets			
- Unabsorbed depreciation and losses	568.67	0	568.67
- Disallowances	135.51	34.73	170.24
- Provision for Bad & Doubtful Debts	28.03	25.26	53.29
Sub Total B:	732.21	59.99	792.20
C. Deferred Tax Assets/Liab (B-A)	290.04	87.23	377.27

Company has made provision for deferred tax liability as above.

Note 32: Previous year's figures have been regrouped/ reclassified wherever necessary to correspond with the current year's classification/disclosure.

Note 33: Balances of Trade payables, Loans & advances & trade receivables have been taken as per books awaiting respective confirmation & reconciliation.

As per my report of even date

for and on behalf of the Board of Directors

SD/-
N. R. Waghchaure & Associates
Chartered Accountants,

Nilkanth R. Waghchaure
Proprietor
ICAI Membership No.: 048890

Solapur
30th May, 2018

SD/-
Kishor T. Katare (Managing Director)

SD/-
Subhash T. Katare (Director)

SD/-
Miss V K Katare (Director)