

**DIRECTORS' REPORT**

To the Members of 'SAFFRON INDUSTRIES LIMITED'

Your Directors have pleasure in presenting their Twenty Sixth Annual Report and Audited Statement of Accounts for the year ended 31st March, 2019.

FINANCIAL RESULTS:

(Amount in Hundred)

SALES AND OTHER INCOME		1,67,7500.14
Profit/(Loss) before Finance Cost & Depreciation		115070
Less : Finance Cost	3680.65	
Depreciation	121081.97	
		<u>124762.6</u>
		239832.62
Profit/(Loss) Before Tax and Exceptional items		NIL
Less : Tax Expenses - Current Tax		
Less : Prior Period Expenses		(125193.61)
Profit/(Loss) after Tax		<u>114639.01</u>
Add : Prior Year Adjustment (income Tax)		NIL
Profit/(Loss) for the year		<u>114639.01</u>
Add: Profit/(Loss) Balance brought forward from pervious year Balance Sheet		
Balance carried forward		<u><u>114639.01</u></u>

REVIEW OF OPERATIONS:

During the year under review the Sales Turnover of your company was Rs. 16.61 Crore as against Sales Turnover of Rs. 5.62 Crore in the previous financial year. Last year company has suffered a Loss of Rs. 1.76 Crore but by the effort of the Management and supportive staff Company has able to achieve profit of Rs. 1.14 crore in the financial year under review.

Your company is using various efforts to reduce the overall cost by planning for better prospects of the company using various new avenues to avail the low cost raw material and by trying for better price gains for its products in the market.



FUTURE OUTLOOK:

In this scenario of high material cost market, you will appreciate the hardship the company is facing. The market factors like rough and uneven market conditions, high cost of raw materials and decline in profitability in past years are not in favor of the Paper Industry. It is less expected that the market environment for the Industry to remain favorable in the years to come.

NO CHANGE IN NATURE OF BUSINESS:

There is no any change in the nature of business carried on by the company during the year under review.

DIVIDEND:

For future growth and expansion the Directors have decided to not to recommended any dividend for the year under review.

AMOUNTS TRANSFERRED TO RESERVES:

The Board of Directors of the Company has decided to carry Rs. 1.14 Crore to its reserves.

NO CHANGE IN SHARE CAPITAL:

There was no change (i.e. increase or decrease) in the Authorised, Issued, Subscribed or Paid up Share Capital of the company during the year under review.

INFORMATION ABOUT SUBSIDIARY/JV/ASSOCIATE COMPANY:

Company does not have any Subsidiary, Joint Venture or Associate Company as defined under Companies Act, 2013.

TRANSFER OF UNCLAIMED DIVIDEND TO INVESTOR EDUCATION AND PROTECTION FUND:

The provisions of Section 125 (2) of the Companies Act, 2013 do not apply as there was no dividend declared and paid last year.

MATERIAL CHANGES AND COMMITMENTS:

No material changes and commitments affecting the financial position of the Company occurred between 31st March, 2018 and the date of this Report.

EXTRACT OF ANNUAL RETURN:

The extracts of Annual Return pursuant to the provision of Section 134 (3) (a) of the Companies Act, 2013 is furnished in 'Annexure –B'.



MEETINGS OF BOARD OF DIRECTORS :

During the financial year 2018-19, the company held 4 board meetings of Board of Directors as per Section 173 of the Companies act, 2013, which is summarized in Report on Corporate Governance below (Annexure-E to this Report).

DIRECTORS' RESPONSIBILITY STATEMENT:

As required by section 134 (5) of the Companies Act, 2013 the Director hereby state:

- i) That the preparation of the annual accounts for the financial year ended on 31st March 2018, the applicable accounting standards have been followed and that there were no material departures;
- ii) That they had 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 31st March 2018 and of the profits of the Company for the year under review;
- iii) That they had 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;
- iv) That they had prepared the annual accounts for the year ended 31st March 2018 on a “going concern” basis;
- v) That they had laid down internal financial controls to be followed by the Company and such internal financial control are adequate and were operating effectively;
- vi) That they had devised proper systems to ensure compliance with the provision of all applicable laws and that systems were adequate and operating effectively.

STATUTORY AUDITORS AND THEIR REPORT:

There is no qualification or adverse remarks in the Auditor's Report which require any clarification/explanation. The Notes on financial statements are self-explanatory and needs no further explanation.

LOANS, GUARANTEES AND INVESTMENT:

There were no loans, guarantees or investment made by the Company under Section 186 of the Companies Act, 2013 during the year under review and hence the said provision is not applicable.

RELATED PARY TRANSACTIONS:

All related party transactions that were entered into during the financial year were on an arm's length basis and were in the ordinary course of business (except transaction mentioned in the Form AOC-2 in Annexure-F). There are no materially significant related party transactions made by the Company with Promoters, Directors or other designated persons which may have a potential conflict with the interest of the Company at large and Approval of the Board of Directors was obtained wherever required. Further all the necessary details of tractions entered with the related parties are attached herewith in Form No. AOC-2 for your kind perusal and information.(Annexure-F)



CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE OUTGO:

The information and details relating to conservation of energy, technology absorption and foreign exchange outgo is mentioned in the Annexure-A to this Report.

RISK MANAGEMENT POLICY:

Periodic assessment to identify the risk areas are carried out and management is briefed on the risks in advance to enable the company to control risk through a properly defined plan. The risks are classified as financial risks, operational risks and market risks. The risks are taken into account while preparing the annual business plan for the year. The Board is also periodically informed of the business risks and the actions taken to manage them. The company has formulated a policy for Risk management with the following objective:

- a) Provide an overview of the principles of risk management
- b) Explain approach adopted by the Company for risk management
- c) Define the organisational structure for effective risk management
- d) Develop a “risk” culture that encourages all employees to identify risks and associated opportunities and to respond to them with effective actions.
- e) Identify, assess and manage existing and new risks in a planned and coordinated manner with minimum disruption and cost, to protect and preserve Company’s human, physical and financial assets.

DIRECTORS AND KEY MANAGERIAL MANAGER

Shri Vinod Maheshwari (DIN-00340953), who retires by rotation and being eligible, offer himself for re-appointment.

Particulars of Directors and KMP are as follows:

1. Shri Vinod Ramgopal Maheshwari – Director
2. Shri Manoj Rameshwar Sinha- Whole Time Director
3. Smt MANjulika Bajpai- Independent Director
4. Shri Achalla Pandurang Shrinivas- Independent Director

DEPOSITS:

The company has not accepted deposits during the year.

CORPORATE SOCIAL RESPONSIBILITY:

The Company does not fall under the criteria of Section 135 of Companies Act, 2013 read with the Companies (Corporate Social Responsibility Policy) rules, 2014 so there is no requirement to constitute Corporate Social Responsibility Committee.

**ANNUAL EVALUATION:**

Pursuant to the provisions of the Companies Act, 2013, the Board has carried out an annual performance evaluation of its own performance, the directors individually as well as the evaluation of the working of its Audit, Nomination & Remuneration and Compliance Committee.

A structured questionnaire was prepared after taking into consideration inputs received from the Directors, covering various aspects of the Board's functioning such as adequacy of the composition of the Board and its Committees, Board culture, execution and performance of specific duties, Obligations and governance.

A separate exercise was carried out to evaluate the performance of individual Directors who were evaluated on parameters such as level of engagement and contribution, independence of judgement, safeguarding the interest of the company and its minority shareholder etc. the performance evaluation of the Independent Directors was carried out by the entire Board. The performance evaluation of the Chairman and the Non Independent Director was carried out by the Independent Director who also reviewed the performance of the Secretarial Department.

INDEPENDENT DIRECTORS AND DECLARATION:

Smt. Manjulika A. Bajpai (DIN-07143934) and Shri Achalla Srinivas (DIN-08053090) are Independent Directors of the company under Section 149 of the Companies Act, 2013 and applicable rules/schedules there under. The Board of Directors of the Company hereby confirms that the Independent Directors duly appointed by the Company have given the declaration and meets the criteria of independence as provided under section 149 (6) of the Companies Act, 2013.

NOMINATION AND REMUNERATION COMMITTEE AND POLICY :

As per Section 178(1) of the Companies Act, 2013 the Company's Nomination and Remuneration Committee. The Composition and meeting details of the Committee are included in the Annexure-E to this Report.

Smt. Manjulika Bajpai is the Chairman of the Nomination of Remuneration Committee. Shri Vinod Maheshwari, Shri Manoj Sinha and Shri Achalla Srinivas are the other members of the Nomination of Remuneration Committee.

The company's approved policy relating to appointment of Directors, qualifications, Independent Directors and matter related there with as provided under Section 178 (3) and (4) of the Companies Act 2013, is attached herewith in 'Annexure-D'.

AUDIT COMMITTEE:

The Company has already constituted an Audit Committee of its Board of Directors with specified terms of reference. Smt. Manjulika Bajpai is the Chairman of the Audit Committee. Shri Vinod Maheshwari, Shri Manoj Sinha and Shri Achalla Srinivas are the other members of the Audit Committee.

The composition and meeting details of the Audit Committee are mentioned and included in the Annexure- E to this Report.



SECRETARIAL AUDITOR:

M/s. **Vaibhav Netke** & Associates, Practicing Company Secretaries, Nagpur, were appointed as Secretarial Auditor and their report on Secretarial Audit in Form MR 3 under Section 204 of the Companies Act, 2013 for the financial year 2018-19 is attached as Annexure-‘C’ and forms part of this report.

The clarifications/explanation on the qualifications/adverse remarks in the Secretarial Auditors Report is as under:

1. The promoters’ shareholding is not fully dematerialized; however they are under process to comply the same;
2. The Company has been declared sick u/s 3(1) (o) of Sick Industrial Companies (Special Provisions) Act, 1985 by the Board for Industrial and Financial Reconstruction, vide their order dated 13.09.2013;
3. The trading of the specified securities of the Company is Suspended due to Penal reason on BSE whereas Company has applied for revocation of suspension of Trading to BSE;
4. Public Notice by BSE Limited on June 2, 2018 in “Financial Express”, BSE proposed Compulsory Delisting of Companies due to suspension of securities for more than six months which contains the Name of M/s. Saffron Industries Limited (No. 74 in the List).

COST AUDITOR & COST RECORDS:

The relevant provisions of Companies Act, 2013 in respect of appointment of Cost Auditors and maintenance of Cost Records were not applicable to the company for the Financial Year 2017-18.

VIGIL MECHANISM:

As per Section 177(9) and (10) of the Companies Act, 2013, and as per the Listing Regulations, the company has established Vigil Mechanism for directors and employees to report genuine concerns and made provision of direct access to the chairperson of the Audit Committee. Company has formulated the present policy for establishing the Vigil Mechanism/Whistle Blower Policy to safeguard the interest of its stakeholders, Directors and employees, to freely communicate and address to the company their genuine concerns in relation to any illegal or unethical practice being carried out in the company. The Vigil Mechanism or Whistle Blower Policy is mentioned as ‘Annexure-G’ to this report.

SHARES:

a. Buy back of Securities

The company has not bought back any of its securities during the year under review.

b. Sweat Equity

The company has not issued any Sweat Equity Shares during the year under review.

c. Bonus Shares



No Bonus Shares were issued during the year under review.

d. Employees Stock Option Plan

The company has not provided any Stock Option Scheme to the employees.

ORDER OF COURT:

To the best of the knowledge there is no Order from Court, Regulators, Tribunals passed during the year under review impacting the going concern status and company's operation in further. However, the Hon. BIFR has declared the company as 'Sick' under the provisions of the Sick Industrial Company (Special Provisions) Act, 1985 vide its order dated 13/09/2013.

DETAILS OF ADEQUACY OF INTERNAL FINANCIAL CONTROLS

During the period under review, there was adequate internal control procedure commensurate with the size of the company and nature of the business.

DEMATERIALISATION OF SHAREHOLDING:

The Company has already established electronic connectivity with both the depositories viz. National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) through its Registrar and Transfer Agent, M/s. Adroit Corporate Services Pvt. Ltd. As such, the shares of the Company are available for dematerialisation with both the Depositories.

LISTING OF SECURITIES:

The shares of the Company are presently listed on the Bombay Stock Exchange and the Ahmedabad Stock Exchange.

CORPORATE GOVERNANCE:

A report on corporate governance including Auditors' Certificate on compliance with the conditions of corporate governance enshrined in Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 is appended to this report as Annexure "E".

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

During the year under review, there were no cases filed pursuant to the aforesaid Act.

PERSONNEL AND RELATED INFORMATION:



None of the employees has received salary of Rs. 60 Lac per annum or Rs. 5.00 Lac per month or more during the financial year 2017-18. Accordingly, no particulars of employees are to be given pursuant to the provision of Section 197 of the Companies Act, 2013 read with respective rules.

Since the company has no subsidiary or holding company, no particulars are required to be given pursuant to the provisions of Section 197 (14) of the Companies Act, 2013.

OTHER PARTICULARS:

Information regarding conservation of energy, technology absorption and foreign exchange earnings and outgo is given in the statement annexed hereto (Annexure 'A') and forms part of this report.

ACKNOWLEDGEMENTS:

Your Directors are pleased to place on record their sincere gratitude to the Government Authorities, Suppliers, Customers and Shareholders for their continued support and co-operation extended to the Company during the year.

Your Directors also express their deep appreciation for the sincere and devoted services rendered during the year by the workers, staff and executives at all levels of operations of the Company.

For and on behalf of the Board,

Sd/-

**Place: Nagpur
Date: May 30 2019**

**Vinod Maheshwari
Chairman**