

## Director's Report

Dear Shareholders,

Your Board of Directors is pleased to present the 23<sup>rd</sup> Annual Report for the financial year 2017-18, together with the Standalone Audited Financial Statements for the year ended on March 31, 2018.

### Financial highlights:

Particulars	Amount ( ₹ In Crores)		
	F.Y. 2018	F.Y. 2017	Increase/ (Decrease)
Total Revenue from Operations	53.89	44.73	9.16
Other Income	6.21	2.13	4.08
Total Expenditure (excl. depreciation, interest and tax)	31.05	29.20	1.85
Profit before depreciation, interest and tax	29.05	20.83	8.22
Less: Interest	0.41	0.34	0.07
Less: Depreciation and amortization expense	3.15	2.84	0.31
Profit before tax	25.47	17.66	7.81
Net tax expense	5.58	5.81	(0.23)
Profit for the year	19.89	11.85	8.04
Add: Surplus carry forward from the last year Balance sheet	76.91	65.06	14.05
Less: Dividend Paid (Incl. Tax)	0.43	--	0.43
Balance carried over to Balance Sheet	96.37	76.91	19.46
Paid-up share Capital	1.78	1.78	--
Reserves and Surplus	102.15	82.68	19.47
Earnings Per share (₹)	111.82	66.62	45.20

### Results of Operations

The total revenue from operation for the F.Y. 2017-18 is ₹ 53.89 crores marking considerable increase as compared to ₹ 44.73 crores in last F.Y. 2016-17. Performance accelerated during the second half of the year under review.

The working of both divisions of the Company is given as below:

#### ♦ Taps and Cutting Tools

During the year under review, the turnover for Taps and Cutting Tools segment has increased by 21.54% from the last financial year.

Cutting Tools Industry plays a major role in production of automobiles, which includes 2 wheelers, 4 wheelers & heavy commercial vehicles. Apart from automobiles, there are many ancillaries to supply to these auto companies and also expanding their capacities for exports.

Automobile industry has been seeing a very good growth during the last few years and it is presumed that going forward this tempo of growth will be maintained in the coming years.

#### ♦ Wind Power

The company has two wind farm projects one at Shivapura Kavalu Village, Belur Taluka, Hassan District in Karnataka and the other at Kita & Ugawa District, Jaisalmer in Rajasthan, both are developed and maintained by Suzlon Energy Limited and Enercon (India) Limited respectively. The combine contribution of the two wind farm projects to the gross revenues in the F.Y. 17-18 was ₹ 1.28 crores from the power sale during the year under review.

### Share Capital

The paid up equity share capital as on 31<sup>st</sup> March 2018 was ₹1, 77, 85,500. During the period under review, the Company has not issued any shares with differential voting rights or granted stock options or sweat equity during the FY 2017-18.

### Dividend

Your Board of Directors is pleased to recommend final dividend of ₹3.00 per equity share, on 1778550 total outstanding equity shares of ₹10/- each, amounting to ₹ 53, 35,650/- in respect of the financial year 2017-18.

### Bonus Issue of Shares

Your Board of Directors recommends Bonus Issue of shares in the ratio of 5:1 to the existing shareholders of the company, if same is approved by the shareholders in the ensuing Annual General Meeting.

### Material changes / commitments/ developments during the year

#### ♦ Introduction and Implementation of GST Regime:

The Board of Directors welcome the GST regime of the Government of India that has been made effective from July 1, 2017 as One Nation One Tax and we hope that it will result in desirably positive changes in Goods and services industry of the country.

As phrased by Indian Machine Tool Manufacturers' Association (IMTMA), "From an end-customer's outlook the indirect tax cost applicable on machine tools was on the higher side, attracting excise duty and VAT depending on the state. Additionally, there was a

cascading of taxes, which has been eliminated with the standard rate of GST at 18% for machine tools.”

With the implementation of GST, prices in the automobile sector are likely to go down and this may have positive impact on the demand of automobile industry and on our business as well. However, the financial impact of GST will vary from company to company and though there are positive vibes in the industry, we will have to wait and watch the real impact of GST on the machine tool industry.

#### ◆ Capacity Expansion:

In the F.Y. 2016-17, your Board of Directors reported for completion of major part of the expansion project that has been started in FY 2015-16 with a capital outlay of approximately ₹11 crores which will likely increase plant capacity to 17 lakhs units from 12 lakhs units with technology upgradation as well.

By the end of the FY 2017-18 the aforementioned project was on completion stage and the Company shall be reaping the fruits of implementation of expansion in the years to come.

However, the effect of this expansion will be gradual on the capacity expansion because of the initial teething troubles in starting up various machines.

#### Material Changes / Events after the date of balance Date

There are no material changes and commitments affecting the financial position of the Company which has occurred between the end of the Financial Year i.e. 31<sup>st</sup> March 2018 and the date of Report.

#### Change in the nature of business

During the year under review, there is no change in the nature of business of the company.

#### Deposits

During the year under review, the Company did not accept any deposits from the public within the ambit of section 73 of the Companies Act, 2013 and the Companies (Acceptance of Deposits) Rules, 2014.

#### Particulars of loans, guarantees or investments under section 186 of the Companies Act, 2013

The Company has made compliance with the provisions of Section 186 of the Companies Act, 2013 during the financial year under review. Please refer to Note 13, 14 and 19 to the financial statement for F.Y. 2017-18.

#### Subsidiary, Associate and Joint Venture

The Company does not have any subsidiary Associate and Joint Venture Company during the year under review.

#### Corporate Governance

The Company has taken all necessary steps to implement the provisions of the Regulations and detailed Corporate Governance Report for the F.Y. 2017-18 is presented in a separate section forming integral part of this Annual Report.

#### Management Discussion and Analysis [MDA]

Management Discussion and Analysis, for the year under review, as stipulated under Regulation 34 (2) (e) of SEBI (LODR), 2015, is presented in a separate section forming integral part of this Annual Report.

#### Related party transactions

All contracts/ arrangements/transactions entered by the Company during the financial year with related parties were in the ordinary course of business and on arm's length basis. There were no materially significant transactions with related parties during the financial year which were in the conflict of interest of the Company. An “Annexure A- Form AOC-2” on Related Party disclosures for the year under review, form part of this Annual Report.

#### Board Meetings

During the year under review 5 (five) Board Meetings were convened and held, the details of which are given in the Corporate Governance Report. The intervening gap between the meetings was within the period prescribed under the Companies Act, 2013.

The details of Meetings of the Board and its Committees are given in the Corporate Governance Report.

#### Committees

Pursuant to the provisions of the Act and Rules made there under and SEBI (LODR) regulation, 2015, the board has constituted various committees. Composition and other details on the committee are given in the Corporate Governance Report.

#### Extract of Annual Return

In accordance with section 134 (3) (a) of the Companies Act, 2013, the extract of the Annual Return in Form No.MGT-9 is attached as “Annexure-C” forms part of the Board's Report.

#### Directors and Key Management Personnel

##### I. Retirement by Rotation

In accordance with the provisions of section 152[6] of the Companies Act, 2013 and in terms of Articles of Association of the Company, Mrs. Alka Ajayprakash Kanoria (DIN: 00041346) retires by rotation at the ensuing Annual General Meeting (AGM) and being eligible offers herself for re-appointment. The Board recommends her reappointment by the members at the ensuing AGM.

##### II. Re-appointment of Managing Director and Whole time Director

In accordance with the provisions of section 196[2] of the Companies Act, 2013 Mr. Ajayprakash Kanoria and Mrs. Alka Kanoria has been reappointed as Managing Director and Whole Time Director respectively, to be effective from 1st April, 2019 for 5 years (till March, 31 2024) by the Board of Directors in their meeting held on August 18, 2018, subject to approval of Members of the Company at this annual general meeting.

##### III. Profile of the Directors seeking Appointment / Reappointment

As required under Regulation 36 (3) of SEBI (LODR), 2015, particulars of the Directors retiring by rotation and seeking appointment / reappointment at the ensuing Annual General Meeting is annexed to the notice convening 23rd Annual General Meeting.

##### IV. Resignation of Director

Mr. Rahul Bagadia, an Independent Director on Board of the Company has resigned from the Board w.e.f. December 11, 2017. The Board has noted his resignation and places their thanks for his contribution as Independent Director on Board of the Company.

##### V. Key Managerial Personnel

Pursuant to Section 2(51) and Section 203 of the Companies, 2013 read with Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, following are the Key Managerial Personnel and during the year there was no change in KMP's of the Company;

- ◆ Mr. Ajayprakash Kanoria- Chairman and Managing Director
- ◆ Mrs. Alka Kanoria – Whole Time Director
- ◆ Mr. Vishnu Sontakke- Chief Financial Officer (CFO)
- ◆ Miss. Shruti Sohane- Company Secretary and Compliance Officer

##### VI. Board Evaluation

Pursuant to the provisions of the Act and Rules made thereunder and as provided under Schedule IV of the Act and Regulation 17(10) of SEBI(LODR), 2015, annual performance evaluation of the Directors

individually as well as its committees has been carried out by the Board.

The Policy for Evaluation of Performance of the Board of Directors was formulated by Nomination and Remuneration Committee of the Board of Directors and same has been approved and adopted by the Board of Directors in their Meeting held on March 8, 2018.

The criteria for evaluation have been provided in the Corporate Governance Report, which forms integral part of this Report. Also the Policy for Evaluation of Performance of the Board of Directors is available on the website of the Company, for reference visit [www.emkaytapsandtools.com](http://www.emkaytapsandtools.com)

#### VII. Declaration by Independent Directors

The Independent Directors have submitted their declarations of independence, as required pursuant to the provisions of section 149(7) of the Act, stating that they meet the criteria of independence as provided in section 149[6].

#### VIII. Familiarization Program for Independent Directors

With the commencement of SEBI (LODR) Regulation, 2015 w.e.f. December 2, 2015 the listed entity is required to conduct the program for the new joining director of the company to get him/her familiarized with the company. No new Director joined the Board of the Company during the year under review; hence no such program has been conducted during the FY 2017-18.

#### IX. Policies

The SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 mandated the formulation of certain policies for all listed companies.

We seek to promote and follow the highest level of ethical standards in all our business transactions. All our corporate governance policies are available on our website (<http://emkaytapsandtools.com/corporate-governance/>). The policies are reviewed periodically by the Board and updated based on need and new compliance requirement.

### Key policies that have been adopted by the Company are as follows:

POLICY NAME	BRIEF DESCRIPTION	WEB LINK
Insider Trading Policy	The Company has adopted the Code of Conduct to regulate, monitor and report trading by insiders and Code of fair disclosure of unpublished price sensitive information for the Directors, KMP and other designated officers and connected persons of the Company.	<a href="http://emkaytapsandtools.com/insider-trading-policy/">http://emkaytapsandtools.com/insider-trading-policy/</a>
Code of Conduct	The Company has formulated and adopted Code of Conduct for the Senior Management and officers of the Company.	<a href="http://emkaytapsandtools.com/code-of-conduct/">http://emkaytapsandtools.com/code-of-conduct/</a>
Policy on Vigil Mechanism (Whistleblower Policy)	The Company has adopted the Vigil Mechanism for directors and employees to report concerns about unethical behavior, actual or suspected fraud, or violation of the Company's code of conduct and ethics.	<a href="http://emkaytapsandtools.com/vigil-mechanism-policy/">http://emkaytapsandtools.com/vigil-mechanism-policy/</a>
CSR Policy	The company believes in the Philosophy of moving together and growing together. The Directors have adopted policy on CSR to spend as required under the Companies Act, 2013 for activities those are benefiting to the Society as a Whole.	<a href="http://emkaytapsandtools.com/csr-policy/">http://emkaytapsandtools.com/csr-policy/</a>
Nomination & Remuneration Policy	As required under the provisions of the Companies Act, 2013 Board of Directors has adopted policy for appointment of the Director and for determination of remuneration payable to them.	<a href="http://emkaytapsandtools.com/nomination-remuneration-policy/">http://emkaytapsandtools.com/nomination-remuneration-policy/</a>
Policy for Determination of Materiality of Event or Information	This policy has been formulated by the Board of Directors deals with the determination of materiality of the Event/ Information and its dissemination to the Stakeholders at large.	<a href="http://emkaytapsandtools.com/corporate-governance/policy-for-determination-of-materiality-of-event-or-information/">http://emkaytapsandtools.com/corporate-governance/policy-for-determination-of-materiality-of-event-or-information/</a>
Archival Policy	This policy is for retention and preservation of documents and records of the Company.	<a href="http://emkaytapsandtools.com/corporate-governance/archival-policy-for-retention-of-documents_etctl/">http://emkaytapsandtools.com/corporate-governance/archival-policy-for-retention-of-documents_etctl/</a>
Prevention of Sexual Harassment at workplace policy	This policy has been formulated define the guidelines and the process to be followed in order to provide protection against sexual harassment of women at workplace and for the prevention and redressal of complaints of sexual harassment in addition to the matters connected therewith or incidental thereto.	<a href="http://emkaytapsandtools.com/wp-content/uploads/2016/02/Policy-on-Prevention-Prohibition-and-Redressal-of-Sexual-Harassment_EMKAYTOOLS.pdf">http://emkaytapsandtools.com/wp-content/uploads/2016/02/Policy-on-Prevention-Prohibition-and-Redressal-of-Sexual-Harassment_EMKAYTOOLS.pdf</a>
Policy for Evaluation of Performance of the Board of Directors	The company has formulates this policy for annual performance evaluation of the Directors individually as well as its committees has been carried out by the Board in compliance of SEBI (LODR) Regulations,2015	<a href="http://emkaytapsandtools.com/wp-content/uploads/2016/02/POLICY-FOR-EVALUATION-OF-PERFORMANCE-OF-THE-BOARD-OF-DIRECTORS_ETCTL.pdf">http://emkaytapsandtools.com/wp-content/uploads/2016/02/POLICY-FOR-EVALUATION-OF-PERFORMANCE-OF-THE-BOARD-OF-DIRECTORS_ETCTL.pdf</a>

### Directors' Responsibility Statement

In terms of section 134[3] [c] of the Act, your Directors state that:

- i. in the preparation of the annual financial statements for the year ended on March 31, 2018, applicable accounting standards read with requirements set out under schedule III of the Act, have been followed along with proper explanation relating to material departures, if any,
- ii. such accounting policies have been selected and applied consistently and judgments and estimates made that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company as at 31<sup>st</sup> March, 2018 and of the profit of the company for the year ended on that date,
- iii. proper and sufficient care has been taken for maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for prevention and detection of fraud and other irregularities,
- iv. the annual financial statements are prepared on a going concern basis,
- v. proper internal financial controls are in place and that the financial controls are adequate and are operating effectively and
- vi. the systems to ensure compliance with the provisions of all applicable laws are in place and are adequate and operating effectively.

### Statutory Audit

In accordance with provisions of Section 139(1) of the Companies Act, 2013 M/s. Vijay Agrawal & Co., Chartered Accountants, (FRN No. 138350W), has been appointed as statutory auditors of the company for 5 consecutive financial years i.e. from conclusion of 19<sup>th</sup> AGM till the conclusion of 24<sup>th</sup> AGM. Pursuant to Listing of the Company tenure of said Statutory Auditor shall end at the conclusion of 23<sup>rd</sup> AGM. They have completed consecutive tenure of 10 (ten) year (including transition period) as provided under section 139(2) of the Companies Act, 2013 and the rules made thereunder.

M/s P.S. THAKARE, Peer Reviewed Chartered Accountants, Nagpur, (FRN No. 128572W), has submitted their eligibility and consent under section 141 of the Companies Act, 2013 and the rules made thereunder, to the Board of Directors on May 27, 2017 and are eligible for appointment as Statutory Auditors for the FY 2018-19.

Section 139(1) of the Companies Act, 2013, further provides that the appointment of statutory auditors shall be placed before the members for their approval. Accordingly, a resolution seeking members approval for the appointment of M/s. P.S. Thakare & Co., Chartered Accountants, (FRN No. 128572W), as statutory auditors of the company is included at Item No. 4 of the Notice convening the AGM.

In view of the above and on recommendation of Audit Committee, the Board of Directors approves and recommends their appointment as Statutory Auditors at the ensuing Annual General Meeting from the conclusion of the 23<sup>rd</sup> AGM till the Conclusion of 28<sup>th</sup> AGM and to conduct statutory audit and report thereon from FY 2018-19 till FY 2022-23.

M/s. Vijay Agrawal & Co., Chartered Accountants being the Statutory Auditor of the Company for the year under review, has audited books for the F.Y. March 31, 2018 and accordingly has submitted Independent Auditor's Report on the same for F.Y. 2017-18.

The Board has duly reviewed the Statutory Auditor's Report on the Accounts. The Observations and comments, appearing in the Auditor's

Report are self-explanatory and do not call for any further explanation/ clarification by the Board of Directors as provided under section 134 of the Act.

### Peer Review Audit

M/s K.P.R.K. & Associates, Chartered Accountants, from Nagpur (Peer Reviewed by the ICAI, New Delhi) being the Peer Review Auditor of the Company, has submitted Auditor's Report with unmodified opinion and unmodified figures for the F.Y. March 31, 2018 in compliance of Reg. 33 (1) (d) of SEBI (LODR) Regulations, 2015. The Board has duly reviewed the Peer Review Auditor's Report and the Observations and comments, appearing in the Auditor's Report are self-explanatory and do not call for any further explanation/ clarification by the Board of Directors.

### Secretarial Audit

Pursuant to the provisions of section 204[1] of the Act read with rule 9 of The Companies (Appointment & Remuneration of Managerial Personnel) Rules, 2014, company is required to annex the Secretarial Audit report with its Board Report. Accordingly, the appointment of M/s H. Roshan & Associates, Nagpur has been made by the Board in their meeting held on July 18, 2017 to conduct Secretarial Audit and report thereon for F.Y. 2017-18.

Accordingly, the Secretarial Audit Report given by M/s H. Roshan & Associates, Nagpur for the F.Y. 2017-18 is annexed herewith as "Annexure B". The Board has duly reviewed the Secretarial Auditor's Report and the observations and comments, appearing in the report are self-explanatory and do not call for any further explanation/ clarification by the Board of Directors as provided under Section 134 of the Companies Act, 2013.

### Maintenance of Cost Records

In compliance with rule (8) sub-rule (5) clause (ix) of Companies (Accounts) amendment Rules, 2018, the Board of Directors of your company confirms the maintenance of cost records as specified by the Central Government under sub-section (1) of section 148 of the Companies Act, 2013 is required by the Company and accordingly such accounts and records are made and maintained by the Company.

### Business Risk Management

The Company has in place a comprehensive Risk Management framework to identify, monitor, review various risk elements. On a periodic basis all necessary steps towards mitigation of various risk elements which can impact the existence of the Company are taken by the Management of the Company. All the identified risks are managed through continuous review of business parameters by the Management and the Board of Directors are also informed of the risks and concerns.

Discussion on risks and concerns is covered separately under section the Management Discussion and Analysis Report, which forms integral part of this Annual Report.

### Vigil Mechanism

The Board of Directors has formulated a Vigil Mechanism/Whistle Blower Policy which provides a robust framework for dealing with genuine concerns & grievances.

### Internal Control Systems

The Internal Financial Control systems of the Company are adequate with reference to the Financial Statement, size and operations of the Company. Internal Auditor of the Company observes the effective functioning of internal financial controls. The scope and functions of Internal Auditor is defined and reviewed by the Audit Committee.



During the year under review the Internal Financial Control were tested and no reportable material weakness in the design or operation were observed.

#### Insider Trading Code

In compliance with the Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015 (“the PIT Regulations”) on prevention of Insider Trading, your Company has a comprehensive Code of Conduct for Regulating, monitoring and reporting of trading by Insiders. Your Company also has a Code of Practices and Procedures of fair disclosures of unpublished price sensitive information and these code(s) are in line with the PIT regulations.

#### Corporate Social Responsibility

The Annual Report on the CSR activities of the Company, pursuant to Rule 8 of the Companies (Corporate Social Responsibility Policy) Rules, 2014, is annexed to this report in “Annexure D”.

#### Particulars of Employees

The information required under section 197 of the Act read with Rule 5[1] of the Companies [Appointment and Remuneration of Managerial Personnel] Rules, 2014 is given in “Annexure E” that forms part of the Board's Report.

#### Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo

Information on conservation of energy, technology absorption, foreign exchange earnings and outgo, as required to be disclosed under section 134[3][m] of the Act read with the Companies [Accounts]

Rules, 2014, are provided in the Annexure–“F” that forms part of this Report.

#### Obligation of Company under the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013

In terms of provisions of the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 and rule (8) sub-rule (5) clause (x) of Companies (accounts) amendment Rules 2018, the Company has formulated a Policy to prevent Sexual Harassment of Women at Workplace and Internal complaint Committee has been constituted for the prevention and redressal of complaints of sexual harassment and to look after the matters connected therewith or incidental thereto.

#### Significant and Material Orders

There are no significant material orders passed by the Regulators or Courts or Tribunals which would impact the going concern status of the Company and its future operation.

#### Details of Frauds Reported by Auditors

There are no frauds against the Company reported by the Auditors for the period under report.

#### Acknowledgement

The Directors express their gratitude to the Dealers, Suppliers and Banks for their support, and express their warm appreciation for the sincere co-operation and dedicated work by a majority of the employees of the Company. Our consistent growth was made possible by their hard work, solidarity, cooperation and support and look forward to their continued support in the future.

For and on behalf of the Board of Directors  
EMKAY TAPS AND CUTTING TOOLS LIMITED

Nagpur, Saturday August 18, 2018

 Ajayprakash Kanoria  
Chairman & Managing Director