

PADAM COTTON YARNS LIMITED
Director's Report

Dear Shareholders,

Your Directors have pleasure in presenting the 25th Annual Report together with the Audited Statement of Accounts of the Company for the financial year ended 31st March, 2019.

Financial Highlights	Year ended 31.3.2018 (Rs. in lacs)	Year ended 31.3.2019 (Rs. in lacs)
Sales & other income	182.92	00.00
Profit before Interest & Depreciation	-0.22	-6.07
Less : Interest	0.03	0.00
Profit/(Loss) before Depreciation	-0.19	0.00
Less : Depreciation	0.00	0.00
Profit before exceptional items and before Tax	-0.19	-6.07
Add: Exceptional Items	0.00	0.00
Profit/ (Loss) before Tax	-0.19	-6.07
Less : Provision for Taxation - Current Tax	0.00	0.00
- MAT Credit	-	-
-Deferred Tax Liability/(Assets)	-	-
-MAT Credit earlier year	-	0.00
-Tax for earlier years	0.08	-
Net Profit/ (Loss) after Tax	-0.27	-6.07
Add : Surplus brought from previous year	-	-
Total Surplus	-0.27	-6.07
Appropriations :		
Proposed Dividend	Nil	Nil
Corporate Dividend Tax	Nil	Nil
Surplus Carried to Balance Sheet	-0.27	-6.07

Financial Highlights

Your Directors regret to inform you that there was no commercial activity during the year under review as the entire Plant & Machinery and major part of the Building had got damaged in July, 2002 due to major fire in the factory premises. The insurance claim of Rs.5,29,51,550/- is still pending for decision with the Honorable National Consumer Dispute redressal Commission, New Delhi. However, it has received an amount of Rs.439.13 Lacs in the protest a/c against the bank guarantee.

OPERATIONAL & PERFORMANCE REVIEW

How-ever, your company has other operating revenues of Rs.nil as against Rs.182.92 Lacs during the previous year. Barring some un-foreseen circumstances, your directors are hopeful to give better results in terms of sales/ profits in the years to come.

SUBSIDIARY COMPANY

During the year ended 31st March, 2019, the Company did not have any subsidiary company.

FIXED DEPOSITS

The Company has not accepted or renewed any deposit from the public during the year under review pursuant to the provisions of Companies Act, 2013 and rules made there under.

DIVIDEND

With a view to conserve resources of the company, your Directors do not recommend any dividend for the year under review.

APPOINTMENT OF KEY MANAGERIAL PERSONS (KMPs) AND INDEPENDENT DIRECTORS

Pursuant to provisions of Sections 2(51) and 203 of Companies Act, 2013 read with Rule 8 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, following persons are acting as Key Managerial Personnel of the Company:

- **Mr. Rajev Gupta, Managing Director**
- **Miss Neha Miglani Company secretary**
- **Mr. Narender Chutani, CFO**

None of the Key Managerial Personnel has resigned during the year ended March 31, 2019.

DIRECTORS

During the year under review, there has been no change in the composition of the Board of Directors. In accordance with the provisions of Section 152 of the Companies act, 2013 read with the Rules made there under and articles of association of the company, Mrs. Radhika Gupta, Director will retire by rotation at the ensuing Annual General Meeting and being eligible offers himself for re-appointment. A brief resume of and particulars relating to them are given separately under the report on Corporate Governance

STATUTORY AUDITORS

At the 23rd Annual General Meeting of Company held on 29th September 2017, M/s Harjinder Singh & Co., Chartered Accountants, were appointed as Statutory Auditors of the Company for a period of five years in accordance with the provisions of section 139 of Companies Act 2013 read with Companies (Audit & Auditors) Rules 2014. However, there appointment for the year 2019-20 is to be ratified at the ensuing Annual general Meeting by the members.

AUDITOR'S REPORT

Observations, if any, made in the Auditor's Report are self explanatory and do not call any explanation.

COST AUDIT

Pursuant to provisions of section 148 of Companies Act 2013 & Rules made there under, your Company is not now covered under these provisions.

SECRETARIAL AUDIT

Shri Ramesh Bhatia, Practicing Company Secretary has been appointed by the Board to conduct Secretarial Audit under provisions of section 204 of the Companies Act 2013. The Secretarial Audit report is annexed with the Director's Report as Annexure – 1. There is no qualification in secretarial audit report.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNING AND OUTGO

Energy conservation continues to be an area of major emphasis in your Company. Efforts are made to optimize the energy cost while carrying out manufacturing operations. As required by the provisions of section 134 of the Companies Act, 2013, the relevant information regarding Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo is given in the **Annexure- 2** forming part of this report.

STATUTORY DISCLOSURES

None of the Directors of the Company are disqualified under the provisions of section 164 of the Companies Act 2013. The Directors have made the requisite disclosures, as required under the Companies Act 2013 and SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015 ("hereinafter referred to as Listing Regulations").

CORPORATE GOVERNANCE

The Company is committed to maintain the good standards of Corporate Governance. The Company has complied with the Corporate Governance requirements as stipulated under Listing Regulations. Pursuant to said Regulations, Report on Corporate Governance together with the Certificate issued by Practicing Company Secretary regarding compliance of Corporate Governance is annexed to this report.

DIRECTOR'S RESPONSIBILITY STATEMENT

Pursuant to the provisions of section 134(3)(c) of the Companies Act, 2013, it is hereby confirmed that:

- (a) In the preparation of annual accounts for the financial year ended 31st March, 2019, the applicable accounting standards have been followed and that there are no material departures;
- (b) estimates that were reasonable and prudent so as to give a true and fair view of the state of affairs of the Company As at 31st March, 2019 and of the profit of the Company for the year ended on that date; the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in
- (c) The Directors have selected such accounting policies and applied them consistently and made judgments and 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) The annual accounts have been prepared on a going concern basis;
- (e) 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.
- (f) The Directors have devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems are adequately and operating effectively.

FRAUDS REPORTED BY AUDITORS u/s 143(12)

Your company has complied with all the provisions of Section 143 of the Companies Act, 2013. Hence, there are no frauds reported by the Auditors other than those which are reportable to the Central Government. Further, no fraud has been reported to the Central Government.

EXTRACT OF ANNUAL RETURN

The details forming part of extract of the Annual Return is given in Form MGT9 in **Annexure - 3**.

NUMBER OF BOARD MEETINGS

During the financial year 2018-19, four Board meetings were held. The meetings were held on 30th May, 2018, 09th August, 2018, 02nd November, 2018 and 01st February, 2019. The other relevant details of Board meetings and the attendance of the Directors etc. is given under Corporate Governance Report annexed with Director's Report.

DECLARATION BY INDEPENDENT DIRECTORS

All Independent Directors of the Company have submitted the Declaration of Independence, as required pursuant to section 149(7) of the Companies Act 2013 and under Listing Regulations, stating that they meet the criteria of independence as provided in sub-section (6).

PARTICULARS OF LOAN, GUARANTEES OR INVESTMENTS UNDER SECTION 186

During the year under review, no loans, guarantees or investments under Section 186 of the Companies Act, 2013 have been given by the Company.

RELATED PARTY TRANSCATIONS

All related party transactions that were entered into during the financial year were in the ordinary course of business and were at arm's length basis. No Materially significant related party transactions have been entered by the Company with Promoters, Directors or Key Managerial Personnel etc. that had potential conflict with the interest of the Company at large. All Related Party Transactions are placed before the Audit Committee as also the Board for approval. The detail of transactions entered into pursuant to the omnibus approval so granted is placed before the Audit Committee and the Board of Directors on a quarterly basis. None of the Directors has any pecuniary relationships or transactions vis-a-vis the company. The details of the same are given in Form AOC-2 and is annexed herewith.

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

The Company has in place an Anti-Sexual Harassment Policy in line with the requirements of Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013. Internal Complaints Committee (ICC) has been set up to redress complaints received regarding sexual harassment. All employees (permanent, contractual, temporary, trainees) are covered under this policy.

The following is a summary of sexual harassment complaints received and disposed off during the year Calendar Year 2018:

- a) No. of Complaints received in the year: NIL
- b) No. of complaints disposed off during the year: NIL
- c) No. of cases pending for more than 90 days: NIL
- d) No. of workshops or awareness program against sexual harassment carried out: NIL
- e) Nature of action taken by the employer: NA

MATERIAL CHANGES FROM END OF FINANCIAL YEAR TILL DATE OF REPORT

There are no material changes and commitments, affecting the financial position of the Company which have occurred between the end of the financial year of the Company to which the financial statements relate and the date of the report other than those disclosed in the financial statements.

RISK MANAGEMENT POLICY

Risk management is a continuous process across the organization designed to identify, assess and frame a response to threats that affect the achievement of its objectives. It enables management to prepare for risks before they devolve to improve the operational effectiveness. Determination of the risk appetite allows management to deploy resources according to the need. The Company firmly believes that to ensure effective risk management, there ought to be risk management plans to handle the risks based on the priorities and challenges of the business. The factors involved in identified risks must be considered and the accuracy of assessment is very important. This implies, if proper risk management is implemented as a best practice then massive capital losses can be prevented. The success of the Risk Management Framework depends on the efforts taken to mitigate/ reduce either the probability or consequence of the risk/ threat. Therefore considering the same, Company's Risk Management Policy includes three key elements:

- I Risk Assessment
- I. Risk Management and Risk Mitigation
- II. Risk Monitoring

Risks are analyzed, considering likelihood and impact, as a basis for determining how they should be managed effectively. Adhering the same, Company has constituted Risk Management Committee and adopted an effective Risk Management Policy in its place to assess, mitigate and to monitor the different risks exposed to the industry in which it operates. Risk management policy of the company is available at company's website www.padamcotton.com.

POLICY ON DIRECTOR'S APPOINTMENT & REMUNERATION AND OTHER PRESCRIBED MATTERS

The current policy is to have an appropriate mix of executive and non-executive and independent directors to maintain the independence of the Board, and separate its functions of governance and management. As of March 31, 2019, the Board had six members, three of whom are executive directors and three independent directors. One of the executive directors of the Board is a woman director.

The policy of the Company on directors' appointment and remuneration, including the criteria for determining qualifications, positive attributes, independence of a director and other matters, as required under sub-section (3) of Section 178 of the Companies Act, 2013, is available on our website, at www.padamcotton.com

We affirm that the remuneration paid to the directors is as per the terms laid out in the Nomination and Remuneration Policy of the Company.

INTERNAL FINANCIAL CONTROL SYSTEM AND ITS ADEQUACY

Your Company maintains an adequate and effective Internal Control system commensurate with its size and complexity. Internal control systems provide, among other things, a reasonable assurance that transactions are executed with Management authorization and that they are recorded in all material respects to permit preparation of financial statements in conformity with established accounting principles and that the assets of your Company are adequately safeguarded against significant misuse or loss.

During the year under review, the Company continued to implement their suggestions and recommendations to improve the internal financial control environment. Their scope of work inter-alia includes review of operational efficiency, effectiveness of systems and processes, and assessing the internal control strengths in all areas. In addition to statutory audit, the financial controls of the Company at various locations are reviewed by the Internal Auditors, who report their findings to the Audit Committee of the Board. The Audit Committee actively reviews the adequacy and effectiveness of internal control system and suggests further strengthening the same, wherever required.

DETAILS OF SIGNIFICANT AND MATERIAL ORDERS PASSED BY THE REGULATORS

During the year under review, there is no material order(s) passed by the regulators or courts or tribunal impacting the going concern status and company's operation in future.

DISCLOSURE REGARDING COMPANIES (SHARE CAPITAL AND DEBENTURE) RULES 2014

The paid up equity share capital of the Company as at 31st March 2019 comprises of 38, 73,000 equity shares of Rs. 10/- each i.e. Rs. 3,87,00,000/- . As required under Companies (Share Capital and Debenture) Rules 2014, during the year under review, the Company has not issued equity shares with differential voting rights, sweat equity shares, preference shares, and employee stock options and also not made any provision for purchase of its own shares by employees or by trustees.

DISCLOSURE REGARDING VOTING RIGHT NOT EXERCISED DIRECTLY BY THE EMPLOYEES

During the year under review, there is NIL disclosure as required under provisions of section 67(3) of Companies Act 2013.

AUDIT COMMITTEE

Audit Committee constituted by the Company functions in accordance with the terms of reference as set out under the provisions of Clause 49 of Listing Agreement read with provisions of Section 177 of Companies Act, 2013 & rules made there under and additional responsibilities assigned to it by Board of Directors of the Company. The Committee reviews the internal audit reports and findings of internal auditors along with the comments of management. The functions of the Audit Committee among others include approving and implementing the audit procedures, effective supervision of financial reporting system, Whistle Blower Mechanism, internal control and procedures, recommending appointment of Statutory Auditors, Cost Auditors to Board and also ensuring compliances with regulatory guidelines. The Board has constituted the Audit Committee comprises of following:

S.NO.	NAME	DESIGNATION
1	Sh. Harbhajan Singh, Independent Director	Chairman
2	Sh. Jai Kumar Independent Director	Member
3	Sh. Satwant Singh, Independent Director	Member

The other relevant details of Audit Committee are given under Corporate Governance Report annexed with Director's Report.

VIGIL MECHANISM/WHISTLE BLOWER POLICY

The Company has a vigil mechanism named "Whistle Blower Policy/Vigil Mechanism" to deal with instance of fraud and mismanagement, if any. The detail of the Policy is explained in the Corporate Governance Report and also available at company's website www.padamcotton.com.

PERFORMANCE EVALUATION OF BOARD OF DIRECTORS

During the year under review, the Board adopted a formal mechanism for evaluating its performance and as well as that of its committees, individual Directors, including the Chairman of the Board in compliance with the Companies Act 2013 and Listing Regulations. The exercise was carried out through a structured evaluation process covering various aspects of the Boards functioning such as composition of the Board, its committee & members, their experience & competencies, performance of specific duties & obligations, governance and also in accordance with Performance Evaluation Policy of Company. Broadly the performance of Non-Independent/Executive/Whole Time Director(s) was evaluated on the basis of their own performance, expertise, intelligence, their qualitative & quantitative contribution towards operational achievements, organizational performance etc. The performance of Non-Executive Independent Directors were evaluated on the basis of their constructive participations in Board/Committee/General meetings, their informed & balanced decision-making, ability to monitor financial controls & systems, & certain allied parameters. The performance evaluation of various Board Committees constituted under Companies Act & Listing Agreement was made on the basis of their respective terms of reference, discharge of functions, governance etc.

Disclosure of information's as required under rule 5(1) of Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014

The Provisions of Rule 5(2) & (3) of the Companies (Appointment & Remuneration of Managerial Personnel) Rules, 2014 requiring particulars of the employees in receipt of remuneration in excess of Rs. 102 lacs per year to be disclosed in the Report of Board of Directors are not applicable to the Company as none of the employees was in receipt of remuneration in excess of Rs. 102 lacs during the financial year 2018-19.

Disclosures pertaining to remuneration and other details as required under Section 197(12) of the Companies Act, 2013 read with Rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 are provided in the Annexure forming part of the Annual Report. Having regard to the provisions of Section 136(1) read with its relevant proviso of the Companies Act, 2013, the Annual Report excluding the aforesaid information is being sent to the members of the Company. The said information is available for inspection at the Registered Office of the Company during working hours and any member interested in obtaining such information may write to the Company Secretary and the same will be furnished free of cost.

The Nomination and Remuneration Committee of the Company has affirmed that the remuneration is as per the remuneration policy of the Company.

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

Management discussion and analysis report, as required by Listing Regulations, forms part of the Annual Report.

ACKNOWLEDGEMENT

Your Directors wish to convey their appreciation to all of the Company's employees for their enormous efforts as well as their collective contribution to the Company's performance. The Directors would also like to thank shareholders, customers, dealers, suppliers, Financial Institutions, bankers, Government and all the other business associates for the continuous support given by them to the Company and their confidence in its management.

By order of the Board of Directors

**Sd/-
(Rajev Gupta)
Director
DIN-00172828**

**Sd/-
(Vivek Gupta)
Director
DIN-00172835**

**Place: Karnal
Dated: August, 03, 2019**