

DIRECTORS' REPORT

Dear Members,

Your Directors are pleased to present their TWENTY NINTH ANNUAL REPORT and the Audited Statement of Accounts for the year ended March 31, 2018.

FINANCIAL RESULTS	(Rs./lacs)	
	2017-18	2016-17
Turnover	3778.06	4473.43
Other Income	33.97	66.84
Profit/(Loss) before interest, depreciation and taxation	242.84	925.35
Financial expenses	(429.32)	(618.42)
Profit/(Loss) before depreciation & taxation	(186.48)	306.93
Depreciation	(213.42)	(207.87)
-Deferred Tax	(7.69)	35.20
OTHER COMPREHENSIVE INCOME		
Re-measurement Gains/(losses) on defined benefit plans	19.23	(17.21)
Income Tax Effect	(5.94)	5.32
Net profit/(loss) after tax	(394.30)	122.37
Earning per share (Rs.)		
- Basic/Diluted	(2.93)	0.96

FUTURE PROSPECTS

The board of directors inform that the company produced 0.81 Million pairs of shoes, sandals and other footwear during the current year as against 1.05 million pairs during the previous year. This decline is primarily due to lower demand for the company's products mainly on account of the structural shift in the business mechanism. The Economy has shifted to GST mechanism from 1st July 2017 and this change led to uncertainties in business scenario, lower demand by traders and reduced purchasing by consumers. The Company has faced this challenging scenario head on with redoubled efforts to develop new products and broaden its customer base. With the improvement in product mix as well as new customer relationships, the Company is looking towards improved performance in the coming years.

DIVIDEND

In view of inadequate profits, your directors do not recommend any dividend for the year under review.

TRANSFER TO RESERVES

The company has transferred ₹ 3,94,30,529/- as loss during the year to Reserves & Surplus.

SHARE CAPITAL

The paid up Equity share capital as on 31st March, 2018 was ₹ 13.88 Crore. During the year under review, the Company has not issued shares with differential voting rights nor granted stock options or sweat equity shares. There is no change in the share capital of the Company. Further, the Company had issued and allotted 47,00,000 Compulsorily Convertible Debentures of Rs. 10 each and 15,00,000 Compulsorily Convertible Warrants of Rs. 10 each. These Compulsorily Convertible Debentures and Compulsorily Convertible Warrants will be converted into equity shares on completion of 15 months from the date of their allotment. However, the amount raised through the issue of compulsory convertible Debentures and compulsory convertible Warrants was used for the purpose for which the amount was raised.

FINANCE

(a) Working Capital

The working capital limits stood at ₹ 22.86 crores as on 31st March, 2018.

(b) Term Loan

The term loans stood at 10.29 crores as on 31st March, 2018.

(c) Deposits

The Company has not accepted any deposits from the public during the year under review.

(d) Particulars of Loans, Guarantees or Investments under Section 186 of the Companies Act, 2013

No loans, guarantees or investments under Section 186 of the Companies Act, 2013 have been given by the Company.

CHANGE IN THE NATURE OF BUSINESS

There was no change in the nature of business.

MATERIAL CHANGES AND COMMITMENTS AFFECTING FINANCIAL POSITION BETWEEN THE END OF FINANCIAL YEAR AND DATE OF THE REPORT

Following material changes took place between the end of financial year and date of report:

Your Company received a notice under Section 13 (2) of the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act 2002 from the State Bank of India to discharge the liabilities due and owing to the Bank to the tune of Rs. 17.03 crores as on 01.05.2018 with future interest and incidental expenses, costs, etc. The bank has further informed that the account of the Company has become NPA. Moreover, your Company had been informed that in case the Company fails to repay or discharge the liabilities, the Bank will exercise all or any of the rights detailed under Sub Section (4) of Section 13 and other applicable provisions of the SARFAESI Act.

Your Company is on discussions with the bankers for restructuring of borrowings and other remedies to recall the notice.

FRAUDS REPORTED BY AUDITORS U/S 142(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.

SUBSIDIARIES / JOINT VENTURES / ASSOCIATE COMPANIES

Your company does not have any subsidiary / associate / joint ventures within the meaning of Companies Act, 2013 and Accounting Standards.

BUSINESS RISK MANAGEMENT

In line with the provisions of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Company has framed a "Risk Management Policy" to identify and assess the key risk areas, monitor and report compliance and effectiveness of the policy and procedure. The constitution of Risk Management Committee is not applicable to the Company. The details of the policy are annexed at **Annexure 1** herewith the Board's Report. Further, as per the provisions of Regulation 17 read with the responsibilities of the board, the Board of directors timely assess, identify and review the risks in the company which may hamper the growth, sustainability or profitability of the company.

INTERNAL FINANCIAL CONTROL SYSTEM

Effective and strong internal control systems are developed in the Company for all major processes to ensure reliability of financial reporting, safeguarding of assets and economical and efficient use of resources as also the compliance of laws, regulations, policies and procedures etc. The Company's internal control systems are audited by Internal Auditors, M/s Aaryaa & Associates, Chartered Accountants. The Internal Auditor independently evaluates the adequacy of internal controls and reviews major transactions. The Internal Auditor report is directly reported to the Audit Committee to ensure complete independence.

VIGIL MECHANISM / WHISTLE BLOWER POLICY

The Company has formulated a "Whistle Blower Policy / Vigil Mechanism" to deal with the instance of fraud and mismanagement, if any. The details of the policy are annexed at **Annexure 2** herewith the Board's Report and also posted on the website of the Company at www.srfootwears.com.

RELATED PARTY TRANSACTIONS

Salary given to Mr. Munish Mahajan Rs. 1.5 Lakhs per month. The

details of the same are given in Form AOC-2 and is annexed herewith.

SIGNIFICANT AND MATERIAL ORDERS PASSED BY THE REGULATORS OR COURTS OR TRIBUNALS

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

DIRECTORS

In accordance with the provisions of the Companies Act, 2013 and Articles of Association of Company, Mr. Amit Mahajan, (DIN: 00038827), Director (Operations), shall retire by rotation at the forthcoming Annual General Meeting and being eligible, offers himself for re-appointment. Declarations pursuant to Section 149(6) of the Companies Act, 2013 have been submitted by all the Independent Directors.

BOARD EVALUATION

Pursuant to the provisions of the Companies Act, 2013 and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Nomination and Remuneration Committee and the Independent Directors in their meeting have carried out an annual performance evaluation of the directors individually, board as a whole as well as the working of its Committees. The manner in which the evaluation has been carried out has been explained in the Corporate Governance Report forming part of the Board's Report. Since the Directors were satisfied with the evaluation results, there were no observations in the board evaluation carried out for the year, hence no action was proposed. The previous year's observations in the board evaluation were nil and hence no action was warranted.

REMUNERATION POLICY

The board has approved the policy framed by the Nomination and Remuneration Committee for selection and appointment of Directors, senior management and their remuneration. The Remuneration Policy is annexed at **Annexure 3** herewith this report.

MEETINGS

During the year, eight board meetings were held on 30th May, 2017, 10th August, 2017, 14th September, 2017, 18th October, 2017, 30th November, 2017, 14th December, 2017, 2nd February, 2018, and 14th February, 2018. The attendance of directors and the details thereof are provided in the Corporate Governance Report.

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 2017:

- 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: 2
- e) Nature of action taken by the employer: NA

CORPORATE GOVERNANCE

A detailed report on Corporate Governance as required under the SEBI (Listing Obligations and Disclosure Requirement) Regulations, 2015 is annexed to this report. The Certificate issued by the Practicing Company Secretary, in pursuance of Regulation 34(3) read with Schedule V of the above mentioned regulations, is also annexed with this report.

DIRECTORS' RESPONSIBILITY STATEMENT

As required under Section 134(3)(c) read with Section 134(5) of the Companies Act, 2013, your directors state that:

- i) In the preparation of the annual accounts for the year ended 31st March, 2018, the applicable accounting standards read with requirements set out under Schedule III to the Act, have been followed and there are no material departures;

- ii) Such accounting policies have been selected and applied consistently and judgments and estimates have been 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 March 31, 2018 and of the profit of the company for the year ended on that date;
- iii) Proper and sufficient care has been taken 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) The annual accounts have been prepared on a going concern basis;
- v) 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; and
- vi) The Directors have devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems are adequate and operating effectively.

AUDITORS

1. STATUTORY AUDITORS

Pursuant to the provisions of Section 139 of the Companies Act, 2013, M/s N J & Associates, Chartered Accountants, Chandigarh, were appointed as Statutory Auditors of the Company and they shall hold office till the conclusion of the Annual General Meeting to be held for the Financial Year 2021-22.

2. SECRETARIAL AUDITORS

Pursuant to the provisions of Section 204 of the Companies Act, 2013 and the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, the Company has appointed M/s R. P. S. Khurana & Associates, a firm of Company Secretaries in Practice to undertake the Secretarial Audit of the Company. The report of the Secretarial Auditor is annexed at Annexure 6 forming part of this report.

MANAGEMENT'S REPLY ON QUALIFICATIONS BY AUDITOR S

The Management provides the following explanation for the adverse remarks/ qualifications made by the Secretarial Auditor and the statutory auditor during their respective audit:

The Observations of the Auditors are self explanatory and needs no further clarification.

PARTICULARS OF EMPLOYEES

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:

The ratio of the remuneration of each director to the median remuneration of the employees of the company for the financial year;

Sr. No.	Name of the Directors	Median Remuneration	Ratio
1	R. C. Mahajan	182400	19.74
2	Amit Mahajan	182400	11.84
3	Amit Mahajan	182400	11.84

1. The percentage increase in remuneration of each director, Chief Financial Officer, Chief Executive Officer, Company Secretary or Manager, if any, in the financial year: No increase
2. The percentage increase in the median remuneration of employees in the financial year: No increase
3. The number of permanent employees on the rolls of company: 236
4. Average percentile increase already made in the salaries of employees other than the managerial personnel in the last financial year and its comparison with the percentile increase

S. R. Industries L i m i t e d

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in the managerial remuneration and justification thereof and point out if there are any exceptional circumstances for increase in the managerial remuneration: No increase
Affirmation that the remuneration is as per the remuneration policy of the company: The Nomination and Remuneration Committee of the Company has confirmed that the remuneration was as per the Remuneration Policy of the Company.

vendors, suppliers, dealers, customers, shareholders, investors reposed in the Company. Your directors also place on record their appreciation for the dedicated services rendered by the workers, staff and officers of the Company.

For and on behalf of the Board

Place: Mohali
Date : August 14, 2018

sd/-
(R.K.BHANDARI)
Chairman

Disclosure pertaining to details of top ten employees in terms of remuneration drawn as required under Rule 5(2) and Rule 5(3) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 are:

Name & Designation	Remuneration received (in lacs)	Nature of Employment	Qualifications and Experience	Date of commencement employment	Age (as on 31/03/18)	Last employment held before joining the Co.	%age of equity Shares held by the employees in the Company	Whether any such employee is a relative of any director or manager of the company & if so, name of such director or manager
Munish Mahajan Vice President	18.0	Permanent	B.Com (Hons) 21+ yrs	4/1/15	46 yrs	Own Business	0	Yes He is Brother of Mr. Amit Mahajan Director (Comm) (DIN :00038593)
Vikram Sharma Development Mgr.	7.80	Permanent	Dip. in Footwear, Graduation 9+ yrs	3/1/17	31 yrs	Alpine Shoes	0	NO
Rajesh Kaushal Mgr-Acct. & Fin.	7.20	Permanent	B.Com 31+ yrs	20/9/11	51 yrs	Astra Lighting	0	NO
Sanjeev Sharma Mgr- P & A	6.00	Permanent	B.A 30+ yrs	23/4/09	51 yrs	Self Employed	0	NO
Ravi Kant Production Supervisor	5.40	Permanent	B.A 10+ yrs	1/1/18	36 yrs	SSIPL	0	NO
C M Pandey Mgr- HR	4.92	Permanent	MBA,LLB 13+ yrs	3/4/10	40 yrs	Chemboard Chemicals Ltd.	0	NO
Jitendra Misha Production Incharge	4.8	Permanent	B.Sc 10+ yrs	23/03/18	34 yrs	Relaxo Footwears	0	NO
Rahul Kumar Developer	4.32	Permanent	B.Sc. Diploma 6+ yrs	25/03/17	29 yrs	SSIPL	0	NO
Akhilesh Kumar Supervisor	4.08	Permanent	B.A 4+ yrs	6/6/17	31 yrs	SSIPL	0	NO
Shawinder Chauhan Sr. Accounts Officer	3.84	Permanent	M.Com 20+ yrs	18/12/12	47 yrs	Astra Lighting	0	NO

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 the limits provided under this rule are not applicable to the Company as none of the employees was in receipt of remuneration in excess of the limits during the financial year 2017-18.

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 of the Companies (Accounts) Rules, 2014 is annexed at **Annexure 4** with this report.

MAINTENANCE OF COST RECORDS

The maintenance of cost records as specified under section 148(1) of the Companies Act, 2013, is required by the company and accordingly such accounts and records are made and maintained.

EXTRACT OF ANNUAL RETURN

The extract of Annual Return in the Form MGT-9 as required pursuant to Section 92(3) read with Companies (Management and Administration) Rules, 2014 is also annexed at **Annexure 5** with this report.

ACKNOWLEDGEMENT

Your Directors convey their sincere thanks to the various agencies of Central and State Governments, Banks and other concerned agencies for all the assistance and cooperation extended to the Company. The Directors also deeply appreciate and acknowledge the trust and confidence the

FORM NO. AOC.2 Form for disclosure of particulars of contracts/arrangements entered into by the company with related parties referred to in sub-section (1) of section 188 of the Companies Act, 2013 including certain arms length transactions under third proviso thereto (Pursuant to clause (h) of sub-section (3) of section 134 of the Act and Rule 8(2) of the Companies (Accounts) Rules, 2014)

- Details of contracts or arrangements or transactions not at arm's length basis
 - Name(s) of the related party and nature of relationship: NIL
 - Nature of contracts/arrangements/transactions: NIL
 - Duration of the contracts/arrangements/transactions: NIL
 - Salient terms of the contracts or arrangements or transactions including the value, if any: NIL
 - Justification for entering into such contracts or arrangements or transactions: NIL
 - date(s) of approval by the Board: NIL
 - Amount paid as advances, if any: NIL
 - Date on which the special resolution was passed in general meeting as required under first proviso to section 188: NIL
- Details of material contracts or arrangement or transactions at arm's length basis
 - Name(s) of the related party and nature of relationship: Mr. Munish Mahajan- Brother to Mr. Amit Mahajan, Director (Commercial)
 - Nature of contracts/arrangements/transactions: Employment
 - Duration of the contracts/arrangements/transactions: Permanent employment
 - Salient terms of the contracts or arrangements or transactions including the value, if any: General terms of employment as applicable on other employees.
 - Date(s) of approval by the Board, if any: 30.05.2017
 - Amount paid as advances, if any: Nil

For and on behalf of the Board

Place: Mohali
Date : August 14, 2018

sd/-
(R.K.BHANDARI)
Chairman

ANNEXURE - 1

RISK MANAGEMENT POLICY BACKGROUND

SEBI recently notified the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 on September 02, 2015 effective from 1st December, 2015, repealing the erstwhile Listing Agreement. Regulation 17(9) provides that the listed entity shall lay down procedures to inform the members of the Board of Directors about risk assessment and minimization procedures. Further, the Board shall be responsible for framing, implementing and monitoring the risk management plan for the listed entity.

For this purpose, this document is intended to formalize a risk management