



## DIRECTORS' REPORT

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30-03-2021 with 115% subscription. The Company has made allotment of Equity Shares raised through Rights Issue on 9<sup>th</sup> April, 2021 and the Shares have been approved for trading by BSE Limited with effect from 15-04-2021.

The Board of Directors are thankful to the Shareholders of the Company for reposing their faith and confident on the management by showing their overwhelming response to the Rights Issue.

### 4. DIVIDEND

Your Directors have pleasure in recommending a Dividend of ₹ 0.50 per share (Previous Year: ₹ 1/- per share). The total amount of Dividend outgo for the year will be ₹ 43.03 Lakhs. As per Income Tax, 1961, the dividend will be taxable in the hands of the Shareholders and the Company will make the payment of dividend after deducting applicable TDS.

The payment of Dividend is in accordance with the "Dividend Distribution Policy" of the Company. The policy is available on the website of the Company under weblink <http://www.rajapalayammills.co.in/wp-content/themes/ramco/pdf/dividend-distribution-policy.pdf>.

### 5. TAXATION

The Company has not provided any amount towards Current Tax since total income under regular computation and deemed total income under Section 115JB of the Income Tax Act, 1961 are negative. Deferred Tax of ₹ 1,168.48 Lakhs (Previous Year: ₹ 508.67 Lakhs) has been withdrawn for the year 2020-21.

### 6. MANAGEMENT DISCUSSION AND ANALYSIS

#### TRADE CONDITIONS

- **COTTON**

In India, the opening stock of cotton for the current cotton season 2020-21 (October to September) was historically at high level of 120 Lakhs Bales. The main reason for such high level of carry over stock was due to lower consumption of cotton by Mills in India due to disruptions in manufacturing activities caused by Covid-19 pandemic. This, coupled with higher production estimate of cotton during the current cotton crop season of 360 Lakhs bales has pulled down the cotton prices during the initial cotton season. Due to this, CCI has purchased large volume of cotton under MSP operation, during peak arrivals of cotton bales in the market.

However, the sentiment in the markets had slowly turned positive soon after the manufacturing activities started picking up due to relaxations announced by Government, which was earlier disrupted on account of Covid-19 pandemic. The cotton prices have gone-up by more than 30% compared to the price ruled during the initial cotton season. The prices of some of the imported cotton varieties especially the long stable fibre had also increased very steeply to the extent of 40% to 75% within a period of 3 to 4 months' time.

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The Company is focusing to produce more value added count and in order to meet the quality requirement of value added counts, more volume high quality imported cotton has been procured when the prices were cheaper. This strategy has helped the Company to procure diversified varieties of cotton across the global and to quote competitive prices for our yarn, which helped to improve the operating margin in the last quarter of the financial year 2020-21.

- **YARN PRODUCTION**

The production volume has decreased to 110.52 Lakhs Kgs during the financial year 2020-21 as against 121.78 Lakhs Kgs of last year, due to lock down imposed by Government for 2 months during April, 2020 & May, 2020.

- **SALE OF YARN**

Despite the adverse conditions prevailed during first 6 months of the financial year under review due to Covid-19 pandemic, there is no slowdown in Company's focus on new product development, innovation and cost-effective production. In spite of reduction in production volume by 9%, the Company was able to achieve growth in sale volume due to liquidation of stock. The sale volume for the FY 2020-21 stood at 121.99 Lakh Kgs as compared to 118.79 Lakh Kgs of last year, an increase of 3%. The sale value of yarn has increased to ₹ 362.57 Crores during the FY 2020-21 as compared to ₹ 346.64 Crores of last year, registering a growth of 5%. The overall revenue from operation has gone up by 15% during the FY 2020-21 of ₹ 411.78 Crores from ₹ 357.82 Crores of last year, due to additional turnover from Fabric Unit, which came into operation during the FY 2020-21.

The Company was able to overcome the challenges posed by pandemic by continuous engagement with the Customers and none of the sales contracts was cancelled during this challenging period, though there was some deferment in the delivery schedule, which has been subsequently shipped successfully.

The yarn market in India has bounced back after witnessing a slowdown in last 2 years. Due to geopolitical factors like trade war between US and China and diversion of sourcing textile products by many top global garment brands from China to India boosted the demand for textile products including yarn manufactured in India. Due to good demand from domestic market, the Company was able to liquidate the yarn stock from ₹ 42.23 Crores as on 01-04-2020 to ₹ 5.94 Crores as on 31-03-2021.

The Company's quality of yarn in value added segment has been well appreciated by the customers and the Company is receiving very good volume of orders for value added counts.

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The sale volume of mercerized yarn has increased to 302 Tonnes during the FY 2020-21 (PY: 154 Tonnes), Modal / Tencel yarn has increased to 329 Tonnes during the FY 2020-21 (PY: 176 Tonnes) and the dyed yarn volume has increased to 133 Tonnes during the FY 2020-21 (PY: 12 Tonnes). The Company is taking various steps to expand its market presence both in domestic and international markets and hope to achieve higher volume of sales in value added yarns in the forthcoming years.

**• EXPORTS**

We have made export of Cotton Yarn (including merchant exports) for a value of ₹ 106.75 Crores as against ₹ 111.21 Crores of the previous year. In addition to our regular International Market, our sales volume has grown considerably in new markets viz. Turkey, Portugal etc. where our yarn quality is well accepted.

Your Directors are thankful to M/s. Asahi Kasei Advance Corporation, M/s. Doko Spinning Co. Ltd., and M/s. Unitika Ltd., Japan for their continued support and efforts for promotion of exports to Japan.

**• POWER COST**

During the financial year 2020-21, the Company was able to consume power from its own wind farms to the extent of 66% (PY: 64%) of total power requirement. The power cost has been decreased during the financial year 2020-21 to ₹ 26.91 Crores as compared to ₹ 27.87 Crores incurred during previous year, inspite of increased power consumption at Fabric Unit. The reduction in power cost is partly due to lockdown imposed by Government for 2 months during April, 2020 & May, 2020 on account of Covid-19 pandemic and also because of various energy conservation measures taken by the Company.

**• FINANCE COST**

The Finance cost has increased to ₹ 4,448.33 Lakhs during the financial year 2020-21 from ₹ 2,586.57 Lakhs of previous financial year mainly due to the additional borrowings for setting up of Fabric unit which has commenced the commercial production during the last week of March, 2020 and full impact of interest cost has been accounted during the current financial year.

**• DIVIDEND INCOME**

During the financial year 2020-21, the Company has received dividend income of ₹ 13.01 Crores (PY: ₹ 21.28 Crores), and the particulars of dividend received are provided under Note No.46 (a) (viii).



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• **KEY FINANCIAL RATIOS**

Pursuant to Schedule V(B) of SEBI (LODR) Regulations, 2015, the Key Financial Ratios for the year 2020-21 are given below:

S.No.	Particulars	31-03-2021	31-03-2020	Formula adopted
1	Debtors Turnover Ratio (Days)	<b>56</b>	57	365 Days / (Net Revenue / Average Trade Receivables)
2	Inventory Turnover Ratio (Days)	<b>123</b>	151	365 Days / (Net Revenue / Average Inventories)
3	Interest Coverage Ratio	<b>0.14</b>	1.01	(Profit Before Tax + Interest)/ (Interest + Interest Capitalised)
4	Current Ratio	<b>0.94</b>	1.03	Current Assets / (Total Current Liabilities - Other Financial Liabilities - Current maturities of Long Term Debt)
5	Debt - Equity Ratio	<b>2.28</b>	1.96	Total Debt / Total Equity
6	Operating Profit Margin	<b>13%</b>	17%	EBITDA / Net Revenue
7	Net Profit Margin	<b>(-) 6%</b>	2%	Net Profit / Net Revenue
8	Return on Networth	<b>(-) 9%</b>	2%	Total Comprehensive Income / Average Net worth
9	Total Debt / EBITDA	<b>11.66</b>	9.55	Total Debt / EBITDA
10	Return on Capital Employed	<b>2%</b>	4%	(TCI + Interest)/ (Average of Equity plus Total Debt)
11	Price Earnings Ratio	<b>(-) 23</b>	57	Market Price per share as at 31 <sup>st</sup> March / Earning per share

Notes: a) For serial no. 3, 7, 8, 10 and 11 there have been significant change (ie., 25% or more) in the ratios compared to previous year. The same is due to decrease in Profit on account of disruptions caused by Covid-19 Pandemic.

b) EBITDA denotes Profit Before Tax + Interest + Depreciation.

**7. MODERNISATION / EXPANSION**

As a part of continuous thrust on modernization programme, the Company has decided to replace all the old Open End Spinning (OE) Machines with most modern fully automatic OE Machines at a cost of ₹ 45 Crores. The Company has already received these New OE Machines and the installation of all machines has been completed on 30-04-2021. With the installation of these advanced machines, the Company will focus to sell the OE yarn in different value added segments like OE yarn for knitting segments, Denim Segments etc. which are untapped by the Company so far. In addition to this, the Company has also invested an amount of ₹ 13 Crores (PY: ₹ 46 Crores) in modernizing other textile machinery & equipment.

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The Company is presently having 1 No. of Mercerisation Machine with a capacity to produce 60 Tonnes of mercerized yarn per month. The order flow for gassed, mercerized yarn that too in super fine counts segment is very much encouraging. Hence it is proposed to triple the existing production capacity of Mercerizing yarn from 60 Tonnes to 180 Tonnes per month. The second line of Mercerisation plant is slated to come into stream during Q2 of the current financial year 2021-22, while the 3<sup>rd</sup> line will commence its commercial production during January - 2022.

In order to take advantage of the current higher demand for yarn, the Company has also proposed to expand the spinning capacity by adding 18,144 spindles in Rajapalayam by utilizing the existing building space.

The Company is also planning to expand the weaving capacity by adding 30 Looms, which will increase the existing looms capacity from 122 Looms to 152 Looms in the existing loom-shed without incurring any additional construction cost. The additional looms will commence the commercial production during Q4 of the current Financial Year.

Total outlay for all the above capex proposals is ₹ 180 Crores, which will be funded from proceeds of Rights Issue, internal accruals and term loan from Banks.

**8. PROSPECTS FOR THE CURRENT YEAR**

The Cotton Association of India's estimates suggested that out of total cotton availability of 496 Lakhs Bales for the cotton crop year 2020-2021, the consumption will be around 330 Lakhs Bales and export will be around 60 Lakhs Bales leaving the carryover stock to the next season of 160 Lakhs Bales. According to data published by Foreign Agricultural Service of USDA, the world cotton production for 2021-22 season is expected to rise at 4.70%. It also estimated a strong cotton consumption growth in 2021-22 as the world economy recovers from the severe 2020 downturn. The global cotton consumption is expected to grow by 4.10% and this will be the second consecutive year when world consumption will exceed the production of cotton. As a result, the world cotton stocks are expected to reduce and strong cotton consumption growth will support the price of cotton and cotton price is expected to go upwards in the coming cotton season. The Government of India has imposed duty on imported cotton and this will make imported cotton dearer by 11% for Indian Spinning Mills.

Retail sales of textile products across the globe is witnessing a robust trend. This demand along with lower levels of inventory with a Retailers will boost the demand for yarn manufactured in India for the current financial year 2021-22. India is becoming a strong alternative sourcing base to China for textile products. The Company has reshaped itself to a better position by strengthening its product lines with more value added customized yarn counts viz. Mercerized Yarn, Melange Yarn, Core Yarn etc., to take full advantage of the current market trend. The Company is continuously monitoring various process parameters and also implemented various system controls to deliver consistent quality of yarn and fabric to the end customers. The Company has also strengthened the product

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lines with more automation like fully automatic contamination removal system at blow room stage, 100% ring spindle monitoring system, installation of linkconers etc. which has resulted in overall improvement of efficiency of the Mill.

The Company's strategic decision to focus on more value added counts has started yielding results and good volume of yarn orders in Q1 and Q2 of the current financial year 2021-22 with more long stable varieties of cotton have been booked. The prudent purchase policy of imported cotton when the prices were lower will also help to sustain the operating margins in FY 2021-22.

Efforts are being taken continuously to scale up the production & sale of value added counts like Mélange yarn, Mercerized yarn, core spun yarn etc., which will replace commodity counts in the forthcoming years. The spreading of Covid-19 in India and other Countries during its second wave is posing continuous challenges and the Company is strictly and continuously following the SoPs to safeguard its employees and thrive to deliver world-class yarns and fabrics to its Customers. With the flexibility to produce value added super fine counts, the Company is poised to post decent growth both in topline as well as bottom line for the financial year 2021-22.

**9. FABRIC PROJECT**

Fabric Unit commissioned during last year is successfully running with the capacity of 122 Looms. Though there was subdued demand for fabric due to lockdown imposed during the 1<sup>st</sup> half year of the FY 2020-21, it has started picking-up from 3<sup>rd</sup> quarter and the fabric unit has reached its optimum utilization level from 4<sup>th</sup> quarter of the FY 2020-21.

The Fabric Unit is producing special value added fabric especially from its Jacquard Looms and the quality is well appreciated by the customers in Export Market. The unit has produced and sold 41 Lakhs Meters of Fabrics. Total Revenue generated by Fabric unit for the financial year 2020-21 was ₹ 38.67 Crores, out of which Export Turnover was ₹ 11.47 Crores. The Company expects better revenue and profitability from Fabric Unit in the coming years.

**10. WIND MILL**

The Company has wind mills with installed capacity of 35.15 MW for its captive power consumption. The wind farm has generated 564 Lakhs Kwh as compared to 596 Lakhs Kwh of the previous year. The wind availability / velocity during the financial year 2020-21 was low as compared to the financial year 2019-20. All the Units generated by wind mills were adjusted for captive consumption at our Mills. The income during the year from the Wind Mill Division was ₹ 37.59 Crores as against ₹ 39.62 Crores of previous year.

**11. ASSOCIATE COMPANY**

The Company has three Associate Companies viz., M/s. The Ramco Cements Limited, M/s. Ramco Industries Limited and M/s. Ramco Systems Limited.

In accordance with Rule 5 of Companies (Accounts) Rules, 2014, a statement containing the salient features of the financial statements of the Company's Associates' is attached in Form AOC-1 as Annexure - I.



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**CONSOLIDATED FINANCIAL STATEMENTS**

As per provisions of Section 129(3) of the Companies Act, 2013 and Regulation 34 of SEBI (LODR) Regulations, 2015, Companies are required to prepare consolidated financial statements of its Subsidiaries and Associates to be laid before the Annual General Meeting of the Company.

Accordingly, the consolidated financial statements incorporating the accounts of Associate Companies, viz. M/s. The Ramco Cements Limited, M/s. Ramco Industries Limited, M/s. Ramco Systems Limited, along with the Auditors' Report thereon, forms part of this Annual Report. As per Section 136 (1) of the Companies Act, 2013, the Financial Statements including Consolidated Financial Statements are available at the Company's website at the following link at <http://www.rajapalayammills.co.in>.

The consolidated profit of the Company amounted to ₹ 10,118.48 Lakhs for the year ended 31<sup>st</sup> March, 2021 as compared to ₹ 9,206.79 Lakhs of the previous year.

The Consolidated Total Comprehensive Income for the year under review is ₹ 10,216.67 Lakhs as compared to ₹ 9,113.07 Lakhs of the previous year.

**12. INTERNAL FINANCIAL CONTROLS**

In accordance with Section 134(5)(e) of the Companies Act, 2013, the Company has Internal Financial Controls Policy by means of Policies and Procedures commensurate with the size & nature of its operations and pertaining to financial reporting. In accordance with Rule 8(5)(viii) of Companies (Accounts) Rules, 2014, it is hereby confirmed that the Internal Financial Controls are adequate with reference to the financial statements. ERP System developed by Ramco Systems Limited has been installed for online monitoring of all functions and management information reports are being used to have better internal control system and to take decisions in time.

**13. VIGIL MECHANISM / WHISTLE BLOWER POLICY**

In accordance with Section 177(9) and (10) of the Companies Act, 2013 and Regulation 22 of SEBI (LODR) Regulations, 2015 the Company has established a Vigil Mechanism and has a Whistle Blower Policy. The policy is available at the Company's website. The Policy provides the mechanism for the receipt, retention and treatment of complaints and to protect the confidentiality and anonymity of the stakeholders. The complaints can be made in writing to be dropped into the Whistle Blower Drop Boxes or through E-Mail to dedicated mail IDs. The Corporate Ombudsman shall have the sole access to these. The Policy provides to the complainant access to the Chairman of the Audit Committee. The weblink for the Vigil Mechanism is disclosed in the Corporate Governance Report.

**14. DIRECTORS**

In accordance with the provision of the Companies Act, 2013 and in terms of the Memorandum and Articles of Association of the Company, the following Directors retire by rotation at the ensuing Annual General Meeting and they are eligible for re-appointment:

1. Smt. P.V. Nirmala Raju (DIN: 00474960),
2. Shri P.R. Venketrama Raja (DIN: 00331406)

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At the Annual General Meeting held on 10-08-2017, Shri P.A.S. Alaghar Raja (DIN: 00487312), was appointed as an Independent Director for a period of 5 consecutive years commencing 11-02-2017 to 10-02-2022. He is eligible for re-appointment for another period of 5 years as an Independent Director from 11-02-2022 to 10-02-2027. In accordance with Section 149(10) of the Companies Act, 2013, his re-appointment has been proposed in the notice convening the Annual General Meeting as Special Resolution. His profile and rationale for re-appointment have been provided in the statement pursuant to Section 102 of the Companies Act, 2013 attached to the notice convening the Annual General Meeting.

Smt. Soundara Kumar (DIN 01974515) has been re-appointed as Independent Director for another term of 5 years at the Annual General Meeting held on 15<sup>th</sup> September, 2020. In the opinion of the Board Smt. Soundara Kumar possess integrity, expertise and experience for being re-appointed as an Independent Director. Smt. Soundara Kumar has cleared the on-line proficiency Self-Assessment test conducted by the Indian Institute of Corporate Affairs by securing 72% of marks.

The Independent Directors hold office for a fixed term of 5 years and are not liable to retire by rotation.

Pursuant to Rule 8(5)(iii) of Companies (Accounts) Rules, 2014, it is reported that, other than the above, there have been no changes in the Directors or Key Managerial Personnel during the year.

The Company has received necessary declarations from all the Independent Directors under Section 149(7) of the Companies Act, 2013, that they meet the criteria of independence as provided in Section 149(6) of the Companies Act, 2013.

Independent Directors have complied with the Code for Independent Directors prescribed in Schedule IV of the Companies Act, 2013.

The Company had formulated a Code of Conduct for the Directors and Senior Management personnel and the same has been complied with.

The Audit Committee has four members, out of which three are Independent Directors. Pursuant to Section 177(8) of the Companies Act, 2013, it is reported that there has not been an occasion, where the Board had not accepted any recommendation of the Audit Committee.

The Company has a policy relating to appointment and remuneration of Directors, Key Managerial Personnel and other employees duly approved by the Board of Directors, based upon the recommendation of Nomination and Remuneration Committee, in accordance with Section 178(3) of the Companies Act, 2013.

As per Proviso to Section 178(4), the salient features of the Nomination and Remuneration Policy should be disclosed in the Board's Report. Accordingly, the following disclosures are given:

Salient Features of the Nomination and Remuneration Policy:



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The objective of the Policy is to ensure that:

- (a) the level and composition of remuneration is reasonable and sufficient to attract, retain and motivate Directors of the quality required to run the Company successfully;
- (b) relationship of remuneration to performance is clear and meets appropriate performance benchmarks;
- (c) remuneration to directors, key managerial personnel and senior management shall be appropriate to the working of the Company and its goals; and
- (d) to carry out any other function as is mandated by the Board from time to time and / or enforced by any statutory notification, amendment or modification, as may be applicable.

The Nomination and Remuneration Committee and this Policy are in compliance with the Companies Act, 2013 and SEBI (LODR) Regulations, 2015. During the year under review, there has been no change in the policy.

The web address of the Policy is at **<http://www.rajapalayammills.co.in/wp-content/themes/ramco/pdf/nomination-and-remuneration-policy.pdf>**

As required under Regulation 25(7) of SEBI (LODR) Regulations, 2015, the Company has programmes for familiarisation for the Independent Directors about the nature of the industry, business model, roles, rights and responsibilities of Independent Directors and other relevant information. As required under Regulation 46(2)(i) of SEBI (LODR) Regulations, 2015, the details of the Familiarisation Programme for Independent Directors are available at the Company's website, at the following link - **<http://www.rajapalayammills.co.in/wp-content/themes/ramco/pdf/familiarisation-programme-for-independent-directors-31-03-2021.pdf>**

The details of familiarisation programme are explained in the Corporate Governance Report also.

**15. EVALUATION OF BOARD**

Pursuant to Section 134(3)(p) of the Companies Act, 2013, and Regulation 25(4) of SEBI (LODR) Regulations, 2015, Independent Directors have evaluated the quality, quantity and timeliness of the flow of information between the Management and the Board, Performance of the Board as a whole and its Members and other required matters.

Pursuant to Schedule II, Part D of SEBI (LODR) Regulations, 2015, the Nomination and Remuneration Committee has laid down evaluation criteria for performance evaluation of Independent Directors, which will be based on attendance, expertise and contribution brought in by the Independent Director at the Board Meeting, which shall be taken into account at the time of re-appointment of Independent Director.

Pursuant to Regulation 17(10) of SEBI (LODR) Regulations, 2015, the Board of Directors have evaluated the performance of Independent Directors and observed the same to be satisfactory and their deliberations beneficial in Board / Committee meetings.

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Pursuant to Regulation 4(2)(f)(ii)(9) of SEBI (LODR) Regulations, 2015, the Board of Directors have reviewed and observed that the evaluation frame work of the Board of Directors was adequate and effective.

The Board's observations on the evaluations for the previous year were similar to their observations for the year under review. No specific actions have been warranted based on current year observations. The Company would continue to familiarize its Directors on the industry, technology and statutory developments, which have a bearing on the Company and the industry, so that Directors would be effective in discharging their expected duties.

**16. MEETINGS**

During the year, five Board Meetings were held. The details of the Meetings of the Board and its various Committees are given in Corporate Governance Report.

**17. SECRETARIAL STANDARD**

The Directors have devised proper system to ensure compliance with the provisions of applicable Secretarial Standards and that such system are adequate and operating effectively.

**18. PUBLIC DEPOSITS**

Pursuant to Rule 8(5)(v) & (vi) of Companies (Accounts) Rules, 2014, it is reported that the Company has not accepted any deposit from public during the financial year under review. There was no outstanding of deposits as on 31-03-2021 (Previous year: NIL). The Company has no deposit, which is not in compliance with the Chapter V of the Companies Act, 2013.

The Company has received a sum of ₹ 350 Lakhs from Directors as deposit / loan during the financial year 2020-21. The loans from Directors are not treated as deposits under Chapter V of the Companies Act, 2013.

**19. ORDERS PASSED BY REGULATORS**

Pursuant to Rule 8(5)(vii) of Companies (Accounts) Rules, 2014, it is reported that, no significant and material orders have been passed by the Regulators or Courts or Tribunals, impacting the going concern status and Company's operations in future.

**20. PARTICULARS OF LOANS, GUARANTEES AND INVESTMENTS**

Pursuant to Section 186(4) of the Companies Act, 2013, it is reported that:

- (a) the particulars of loans are provided under Note No.46 (a) (xiv).
- (b) the particulars of the guarantees and investments are provided under Note No.42 and Note No.9 & 10 respectively of Notes forming part of financial statements. The guarantees are given to secure the loans from Banks / Financial Institutions to the borrowers.

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**21. CORPORATE SOCIAL RESPONSIBILITY**

In terms of Section 135 and Schedule VII of the Companies Act, 2013, the Board of Directors have constituted a Corporate Social Responsibility (CSR) Committee and adopted a CSR Policy which is based on the philosophy that "As the Organization grows, the Society and Community around it also grows."

The Company has undertaken various projects in the areas of education, health, rural development, water and sanitation, promotion and development of traditional arts, protection of national heritage, livelihood enhancement projects, etc. largely in accordance with Schedule VII of the Companies Act, 2013.

The CSR obligations pursuant to Section 135(5) of the Companies Act, 2013, for the year 2020-21 is ₹ 20.23 Lakhs. As against this, the Company has spent an amount of ₹ 20.44 Lakhs on CSR. The Company had also spent a sum of ₹ 0.66 Lakhs on other social causes and projects, which do not qualify as CSR expenditure under the classifications listed out in Schedule VII of the Companies Act, 2013.

The CSR policy is available at the Company's website at the following link at <http://www.rajapalayammills.co.in/wp-content/themes/ramco/pdf/corporate-social-responsibility-policy.pdf>.

The Annual Report on CSR activities as prescribed under Companies (Corporate Social Responsibility Policy) Rules, 2014 is attached as Annexure - II.

**22. AUDITS****STATUTORY AUDIT**

M/s. N.A. Jayaraman & Co. Chartered Accountants (FRN: 001310S) and M/s. SRSV Associates, Chartered Accountants (FRN:015041S), who have been appointed as the Statutory Auditors of the Company at the 81<sup>st</sup> Annual General Meeting, would be the Auditors of the Company till the conclusion of the 86<sup>th</sup> Annual General Meeting to be held in the year 2022.

As required under Regulation 33(1)(d) of SEBI (LODR) Regulations, 2015, the Auditors have also confirmed that they hold a valid certificate issued by the Peer Review Board of the Institute of Chartered Accountants of India.

The report of the Statutory Auditors for the year ended 31<sup>st</sup> March, 2021 does not contain any qualification, reservation or adverse remark and no instance of fraud has been reported by Auditors under Section 143(12) of Companies Act, 2013.

**SECRETARIAL AUDIT**

Shri M.R.L. Narasimha, a Practicing Company Secretary is the Secretarial Auditor of the Company. Pursuant to Section 204(1) of the Companies Act, 2013, the Secretarial Audit Report submitted by the Secretarial Auditor for the year ended 31<sup>st</sup> March, 2021 is attached as Annexure - III. The report does not contain any qualification, reservation or adverse remark.

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**COST AUDIT**

As per Section 148(1) of the Companies Act, 2013 read with Rule 3 of Companies (Cost Records and Audit) Rules, 2014, the Company is required to maintain cost records and accordingly such records and accounts are made and maintained.

The Board of Directors had approved the appointment of Shri M. Kannan, Cost Accountant as the Cost Auditor of the Company to audit the Company's Cost Records relating to manufacture of textile products for the year 2021-22 at a remuneration of ₹ 1,50,000/- (Rupees One Lakh fifty thousand only) exclusive of GST and out-of-pocket expenses.

The remuneration of the cost auditor is required to be ratified by the members in accordance with the provisions of Section 148(3) of the Companies Act, 2013 and Rule 14 of Companies (Audit and Auditors) Rules, 2014. Accordingly, the matter is being placed before the Members for ratification at the ensuing Annual General Meeting.

The Cost Audit Report for the financial year 2019-20 due to be filed with Ministry of Corporate Affairs by 11-09-2020, had been filed on 09-09-2020. The Cost Audit Report for the financial year 2020-21 due to be submitted by the Cost Auditor within 180 days from the closure of the financial year will be filed with the Ministry of Corporate Affairs, within 30 days thereof.

**23. CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO**

Pursuant to Section 134(3)(m) of the Companies Act, 2013 and Rule 8(3) of Companies (Accounts) Rules, 2014, the information relating to Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo is attached as Annexure - IV.

**24. ANNUAL RETURN**

In Accordance with Section 92(3) of the Companies Act, 2013, read with Rule 12(1) of Companies (Management and Administration) Rules, 2014, the copy of the Annual Return for the year ended 31-03-2020 has been placed on the website of the Company and web link of such Annual Return is - <http://www.rajapalayammills.co.in/wp-content/themes/ramco/pdf/annual-return-31-03-2020.pdf>

**25. CORPORATE GOVERNANCE**

The Company has complied with the requirements regarding Corporate Governance as stipulated in SEBI (LODR) Regulations, 2015. As required under Schedule V(C) of SEBI (LODR) Regulations, 2015 a Report on Corporate Governance being followed by the Company is attached as Annexure - V.

As required under Schedule V(E) of SEBI (LODR) Regulations, 2015 a Certificate from the Auditors confirming compliance of conditions of Corporate Governance is also attached as Annexure - VI to this Report.

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As required under Regulation 34(3) read with Schedule V Para C (10)(i) of SEBI (LODR) Regulations, Certificate from the Secretarial Auditor that none of the Company's Directors have been debarred or disqualified from being appointed or continuing as Directors of Companies, is enclosed as Annexure - VI A.

No complaints had been received pertaining to sexual harassment, during the year under review. The relevant statutory disclosure pertaining to the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013, are available at Point No.10(l) of Corporate Governance Report.

**26. PARTICULARS OF EMPLOYEES AND RELATED DISCLOSURES**

The disclosures in terms of provisions of Section 197(12) of the Companies Act, 2013 read with Rule 5(1), (2) and (3) of Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, relating to remuneration are provided in Annexure - VII.

**27. INDUSTRIAL RELATIONS AND PERSONNEL**

The Company has 3,340 employees as on 31-03-2021 (PY: 3,320). Industrial relations with employees remained cordial during the year. Human Resources Development activities received considerable focus. The emphasis was on imparting training and development of the skill-set of the employees to enable them to face the challenges in the work environment.

The Company has complied with provisions relating to the constitution of Internal Complaints Committee under the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013.

**28. RELATED PARTY TRANSACTION**

Prior approval / Omnibus approval is obtained from the Audit Committee for all related party transactions and the transactions are periodically placed before the Audit Committee for its approval. No transaction with the related party is material in nature, in accordance with Company's "Related Party Transaction Policy" and Regulation 23 of SEBI (LODR) Regulations, 2015. In accordance with Indian Accounting Standard - 24 (Related Party Disclosure), the details of transactions with the related parties are set out in Note No: 46 of disclosures forming part of Financial Statements.

As required under Regulation 46(2)(g) of SEBI (LODR) Regulations, 2015, The Company's Related Party Transaction Policy is disclosed in the Company's website and its web link is <http://www.rajapalayammills.co.in/wp-content/themes/ramco/pdf/related-party-transaction-policy.pdf>





DIRECTORS' REPORT

**29. RISK MANAGEMENT POLICY**

Pursuant to Section 134(3)(n) of the Companies Act, 2013 and Regulation 17(9) of SEBI (LODR) Regulations, 2015, the Company has developed and implemented a Risk Management Policy. The Policy envisages identification of risk and procedures for assessment and minimization of risk thereof. The Risk Management policy of the Company is available at the Company's website at the following weblink- <http://www.rajapalayammills.co.in/wp-content/themes/ramco/pdf/risk-management-policy.pdf>

**30. INVESTOR EDUCATION AND PROTECTION FUND (IEPF)**

Dividend amount remaining unclaimed / unpaid for a period of over 7 years was transferred to IEPF as detailed below:

Dividend Details	Amount Transferred (in ₹)	Date of Transfer to IEPF
Final Dividend 2012-2013	2,28,581	19-08-2020
Interim Dividend 2013-2014	11,00,040	24-02-2021

Shares corresponding to the said dividend were transferred to IEPF, as detailed below:

No. of Shares	Date of Transfer to IEPF
560	20-08-2020
120	01-09-2020
2740	30-03-2021
50	31-03-2021

Year wise amount of unpaid / unclaimed dividend lying in the unpaid account and corresponding shares, which are liable to be transferred to IEPF and due dates for such transfer, are tabled below:

Year	Type of Dividend	Date of Declaration of Dividend	Last date for claiming Unpaid Dividend	Due date for transfer to IEP Fund	No. of Shares of ₹10/- each	Amount of unclaimed / unpaid Dividend as on 31-03-2021 - ₹
2013-2014	Final Dividend	04-08-2014	03-08-2021	01-09-2021	2,11,694	5,29,235.00
2014-2015	Dividend	12-08-2015	11-08-2022	09-09-2022	2,59,410	6,48,525.00
2015-2016	Interim Dividend	16-03-2016	15-03-2023	13-04-2023	2,85,834	8,57,502.00
2016-2017	Dividend	10-08-2017	09-08-2024	07-09-2024	2,82,249	11,28,996.00
2017-2018	Dividend	10-08-2018	09-08-2025	07-09-2025	1,19,327	4,77,308.00
2018-2019	Dividend	14-08-2019	13-08-2026	11-09-2026	1,21,100	4,84,400.00
2019-2020	Dividend	15-09-2020	14-09-2027	13-10-2027	1,67,167	1,61,282.71



**DIRECTORS' REPORT**

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**31. MATERIAL CHANGES SINCE 1<sup>ST</sup> APRIL 2021**

There have been no changes affecting the financial position of the Company between the end of the financial year and till the date of this report.

**32. DIRECTORS' RESPONSIBILITY STATEMENT**

Pursuant to Section 134(5) of the Companies Act, 2013, the Directors confirm that:

- (a) they had followed the applicable accounting standards along with proper explanation relating to material departures, if any, in the preparation of the annual accounts for the year ended 31<sup>st</sup> March, 2021;
- (b) 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 as on 31<sup>st</sup> March, 2021 and of the loss of the Company for the year ended on that date;
- (c) they had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- (d) they had prepared the Annual Accounts on a going concern basis;
- (e) they had laid down internal financial controls to be followed by the Company and that such internal financial controls are adequate and were operating effectively; and
- (f) they had devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

**ACKNOWLEDGEMENT**

The Directors are grateful to the various Departments and agencies of the Central and State Governments for their help and co-operation. They are thankful to the Financial Institutions and Banks for their continued help, assistance and guidance. The Directors wish to place on record their appreciation of employees at all levels for their commitment and their contribution.

By Order of the Board,  
**For RAJAPALAYAM MILLS LIMITED,**

RAJAPALAIYAM,  
28<sup>th</sup> May, 2021.

**P.R. VENKETRAMA RAJA**  
**CHAIRMAN**