EASTERN TREADS®

TREADS | LOGISTICS


# ANNUAL REPORT

2018 - 19


EASTERN TREADS
SHIPNEXT
INFINITY ZONE
QUALITY RETREADING FOR INFINITE MILEAGE
EASTERN PATCHES
EASTERN TREADS

# EASTERN TREADS LIMITED

CIN: L25119KL1993PLC007213

## COMPANY INFORMATION

## BOARD OF DIRECTORS

| | |
|---|---|
| Mr. Navas M Meeran | Chairman |
| Mr. M.E. Mohamed | Managing Director |
| Mr. M.S. Ranganathan | Director |
| Mr. Naiju Joseph | Director |
| Mr. K.S. Neelakanta Iyer | Director |
| Mr. Rajesh Jacob | Director (Nominee of KSIDC) |
| Mrs. Shereen Navaz | Director |
| Mrs. Rani Joseph | Director |
| Mr. Mohammed Sherif Shah | Chief Financial Officer |
| CS Baiju T. | Company Secretary |

**REGISTERED & CORPORATE OFFICE**
3A, 3rd Floor, Eastern Corporate Office,
34/137 E NH Bypass, Edappally, Kochi,
Ernakulam - 682024, Kerala

**WEBSITE & E mail**
www.easterntreads.com, treads@eastern.in

**WORKS**
Oonnukal, Kothamangalam, Ernakulam
Vannapuram, Thodupuzha, Idukki, Kerala

**STATUTORY AUDITOR**
Walker Chandiok & Co LLP, Chartered Accountants,
7th Floor, Modayil Centre Point,
Warriam Road Jn., M G Road,
Kochi 682 016, India

**REGISTRAR & SHARE TRANSFER AGENT**
Integrated Registry Management Services Private Limited,
2nd Floor, 'Kences Towers' No.1,
Ramakrishna Street, North Usman Road,
T. Nagar, Chennai – 600017

**INVESTOR CORRESPONDENCE**
The Company Secretary, Eastern Treads Limited
3A, 3rd Floor, Eastern Corporate Office, NH Bypass, Edappally,
Kochi, Ernakulam - 682024, Kerala

**BANKERS**
The Federal Bank Limited,
ICICI Bank Limited,
HDFC Bank Limited,
IDBI Bank Limited,
State Bank of India

**INTERNAL AUDITOR**
JVR & Associates, Chartered Accountants
39/2790A, Wilmont Park Business Centre
Near St. George's Church,
Pallimuku, Kochi, Ernakulam – 682016

**SECRETARIAL AUDITOR**
BVR & Associates Company Secretaries LLP,
Swastika, First Floor, Chitteth House,
PC Road, Vyttila P.O.,
Cochin - 682 019

## CONTENTS

Dear Shareholders,

It gives me great pleasure to share with you all an update on the performance of Eastern Treads Limited (ETL) for the financial year 2018-19. ETL began its journey 26 years ago and we are proud to say that with over two decades of our presence we now stand as a well-known and highly reputed brand in the tyre retreading industry. In 2018, India's economy gained momentum with stabilisation of GST. Implementation of GST, in particular will now potentially consolidate the largely unorganised retreading industry. India's growth had accelerated to 7.3 per cent for 2018-19. Economic activity continued to recover with strong domestic demand and growth was majorly led by a strong consumption pattern during 2018. Despite the uncertainties in global scenario such as US-China trade war, rising oil prices, India continued to remain on its strong growth trajectory.

With Kerala battling its worst floods in nearly 100 years, tyre and related manufacturers having exposure to the State have been among those who have been hit hard. Despite this challenging environment, we exhibited resilience by continuing to deliver a steady performance. Our topline grew by 2.4 per cent and this growth was led by combination of product mix and productivity increase initiatives. Though margins were under pressure during the year due to rise in input cost materials and Kerala floods, we were able to maintain our gross margins at a fairly steady level of 13 per cent. Our focus continues to remain on increasing revenues from the higher margin open market and franchisee sales.

We continue our momentum to judiciously expand volumes across all our sales channels. We have recently entered into strategic contracts with Maharashtra State Road Transport Corporation (MSRTC), West Bengal Transport Corporation and Gujarat State Road Transport Corporation (GSRTC) to supply Tyre retreading materials. This augurs well for us as it will drive increased utilisation of the production facilities which will be conducive to deliver strong volumes. Exports are also seeing an accelerated performance with increased sales from South America, Africa and Nepal. During the year, we have also made an equity investment of 55% in Shipnext Solutions Private Limited, a company engaged in managing fleet management aggregation in IT platform.

ETL is transitioning from a tread rubber manufacturer to a leading enabler of tyre retreading ecosystem in India. Currently we are present pan- India across 17 states along with presence in overseas market. Given the strong presence across the entire retreading value chain we are confident of improved performance going forward. Improving road network, increased economic activity, higher radialisation and implementation of GST are all positives for long term growth of the sector. We are focused on every facet of business and have put in place an effective decision-making framework and strategic building blocks, which, we believe, will continue to hold us in good stead in the long run.

Overall, it was a year of sustained performance and none of this would have been possible without the dedication and determination of our people. I would like to thank each and every employee and those working with us across the value chain for their commitment and service to the Company. I would also like to thank the Board of Directors for their unstinted support and continued guidance. Most importantly, I would like to thank you, our shareholders, for your overwhelming trust and confidence and for being an integral part of our journey.

With warm regards

Navas M Meeran
Chairman

# NOTICE

**NOTICE** is hereby given that the 26th Annual General Meeting of the members of Eastern Treads Limited will be held on Tuesday, 30th July 2019, at 3.00 PM at Hotel TGR Suites, Thannikal, Pukkattupady Road, Edappally Toll, Cochin, Ernakulam – 682024, Kerala to transact the following business:

## Ordinary Business

1. To consider and adopt the Audited Financial Statements of the Company for the Financial Year ended 31st March 2019, the Consolidated Financial Statements for the said financial year together with the Reports of the Board of Directors and the Auditors.

2. To appoint a Director in place of Mr. Navas M Meeran, having DIN: 00128692 who retires by rotation in compliance with the provisions of Section 152 of the Companies Act, 2013 and being eligible, seeks reappointment.

## Special Business

3. Re-appointment of Mr. K.S. Neelacanta Iyer (DIN: 00328870) as an Independent Director of the Company.

   To consider and, if thought fit, to pass the following resolution as a **Special Resolution**:-

   "RESOLVED THAT pursuant to the provisions of Sections 149, 150, 152 read with Schedule IV and any other applicable provisions of the Companies Act, 2013 and the Companies (Appointment and Qualification of Directors), Rules, 2014 and SEBI (LODR) Regulations, 2015, (including any statutory modification(s) or re-enactment thereof for the time being in force), Mr. K.S. Neelacanta Iyer (DIN: 00328870), whose initial period of office as Independent Director expired on 31st March, 2019 and subsequently appointed as an Additional Director in the category of Independent Director with effect from 9th May, 2019 in the intermittent vacancy of independent director, pursuant to second proviso to the Rule 4 (iii) of the Companies (Appointment and Qualification of Directors) Rules, 2014, be and is hereby re-appointed as an Independent Director of the Company for a second term for a period of five years with effect from 9th May, 2019 to 8th May 2024, or till such earlier date of retirement/ termination/vacation as may be determined by any applicable statutes, rules, regulations or guidelines and the term shall not be subject to retirement by rotation."

4. Re-appointment of Mr. M.S. Ranganathan (DIN: 00254692) as an Independent Director of the Company.

   To consider and, if thought fit, to pass the following resolution as a **Special Resolution**:-

   "RESOLVED THAT pursuant to the provisions of Sections 149, 150, 152 read with Schedule IV and any other applicable provisions of the Companies Act, 2013 and the Companies (Appointment and Qualification of Directors), Rules, 2014 and SEBI (LODR) Regulations, 2015, (including any statutory modification(s) or re-enactment thereof for the time being in force), Mr. M.S. Ranganathan (DIN: 00254692), whose initial period of office as Independent Director expired on 31st March, 2019 and subsequently appointed as an Additional Director in the category of Independent Director with effect from 9th May, 2019 in the intermittent vacancy of independent director, pursuant to second proviso to the Rule 4 (iii) of the Companies (Appointment and Qualification of Directors) Rules, 2014, be and is hereby re-appointed as an Independent Director of the Company for a second term for a period of five years with effect from 9th May, 2019 to 8th May 2024, or till such earlier date of retirement/ termination/vacation as may be determined by any applicable statutes, rules, regulations or guidelines and the term shall not be subject to retirement by rotation."

5. Appointment of Mrs. Rani Joseph (DIN: 07423144) as an Independent Director of the Company.

   To consider and, if thought fit, to pass the following resolution as an **Ordinary Resolution**:-

   "RESOLVED THAT pursuant to the provisions of Section 149, 150, 152, 160, and other applicable provisions, if any, of the Companies Act, 2013, Companies (Appointment and Qualification of Directors) Rules, 2014, (including any statutory modification(s) or re-enactment thereof for the time being in force), relevant applicable regulation(s) of the SEBI (LODR) Regulations, 2015, Mrs. Rani Joseph (DIN: 07423144) who was appointed as an Additional Director in the category of Independent Director of the Company by the Board of Directors with effect from 9th May, 2019 and who holds the said office pursuant to the provisions of Section 161 of the Companies Act, 2013 up to the date of this Annual General Meeting, who is eligible for appointment under the relevant provisions of the Companies Act, 2013, be and is hereby appointed as an Independent Director of the Company, for a period of five years with effect from 9th May, 2019 to 8th May 2024, or till such earlier date of retirement/ termination/vacation as may be determined by any applicable statutes, rules, regulations or guidelines and the term shall not be subject to retirement by rotation."

6. Appointment of Mr. Rajesh Jacob (DIN: 06443594) as Nominee Director of the Company.

   To consider and, if thought fit, to pass the following resolution as an **Ordinary Resolution**:-

   "RESOLVED THAT pursuant to the provisions of Sections 149, 152 and other applicable provisions of the Companies Act, 2013 read with the Companies (Appointment and Qualification of Directors) Rules, 2014 and SEBI (LODR) Regulations, 2015 (including any statutory modification(s) or re-enactment thereof for the time being in force), Mr. Rajesh Jacob (DIN: 06443594), who was appointed as an Additional Director of the Company in the capacity of Nominee Director {as nominated by Kerala State Industrial Development Corporation Limited, (KSIDC)} pursuant to the provisions of Section 161 of the Companies Act, 2013 and the Articles of Association of the Company and who holds office up to the date of this Annual General Meeting, and being eligible, offer himself for appointment, be and is hereby appointed as a Nominee Director of the Company, till such date upon withdrawal by KSIDC, not liable to retire by rotation at the Annual General Meeting."

7. Consent for increase in the limits applicable for making investments / extending loans and giving guarantees or providing securities in connection with loans to Persons / Bodies Corporate.

   To consider and, if thought fit, to pass the following resolution as a **Special Resolution**:-

   "RESOLVED THAT pursuant to the provisions of Section 186 and 188 of the Companies Act, 2013 ("the Act") read with the Companies (Meetings of Board and its Powers) Rules, 2014 and other applicable provisions, if any, of the Act (including any modification or re-enactment thereof for the time being in force) and subject to such approvals, consents, sanctions and permissions as may be necessary, consent of the Members of the Company be and is hereby accorded to the Board of Directors of the Company, to (i) give any loan to any person or other body corporate; (ii) give any guarantee or provide any security in connection with a loan to any other body corporate or person and (iii) acquire by way of subscription, purchase or otherwise, the securities of any other body corporate, as they may in their absolute discretion deem beneficial and in the interest of the Company, subject that the aggregate of the loans and investments so far made in and the amount for which guarantees or securities have so far been provided to all persons or bodies corporate along with the additional investments, loans, guarantees or securities proposed to be made or given or provided by the Company, from time to time, in future, shall not exceed a sum of ₹10 Crores (Rupees Ten Crores only) over and above the limit of Sixty percent of the paid-up share capital, free reserves and securities premium account of the Company or one hundred percent of free reserves and securities premium account of the Company, whichever is higher, as prescribed under Section 186 of the Companies Act, 2013.

   RESOLVED FURTHER THAT the Board of Directors (including Committee thereof constituted or a person authorised by the Board for this purpose) be and are hereby authorized to take all such steps as may be necessary, proper and expedient to give effect to this Resolution".

8. General Approval for transaction with Related Parties.

   To consider and if thought fit, to pass with or without modification(s), the following resolution as an **Ordinary Resolution**:

   "RESOLVED THAT pursuant to the provisions of the Section 188 and other applicable provisions of the Companies Act, 2013, and The Companies (Meetings of Board and its Powers) Rules, 2014, including any statutory modification(s) or re-enactment thereof for the time being in force, and subject to such other approvals as may be necessary, approval of the Members be and is hereby accorded to the Board of Directors of the Company to enter into contracts/arrangements for sale, purchase or supply of any goods and materials whether directly or through appointed authorized agents or for availing or rendering of any services, on such terms and conditions as may be decided by Board of Directors of the Company, as appropriate, as per the rules and regulations governing such transactions under the applicable provisions of the Act for a period of 5 Years with effect from 1st April 2019, for an aggregate amount not exceeding Rupees Ten Crores per financial year, over and above the exemption under Section 188, with each of the following Related Parties namely 1) Shipnext Solutions (Private) Limited and 2) Eastern Retreads (Private) Ltd.

   RESOLVED FURTHER THAT the Board of Directors of the Company be and are hereby authorised to do all such acts, deeds and things as may be necessary, desirable or expedient and to take all necessary steps, for and on behalf of the Company and is authorised and empowered to negotiate, fix the price and agree upon other terms and conditions and enter into legal agreement and contracts, to the extent, the Board of Directors may consider appropriate, as may be permitted or authorised in accordance with any provisions under the Companies Act, 2013".

By Order of the Board
For Eastern Treads Limited

Kochi
27/05/2019

CS Baiju T.
Company Secretary

**Notes**

1. **A member entitled to attend and vote at the meeting is entitled to appoint proxy/proxies to attend and vote on a poll instead of himself/herself and such proxy/proxies need not be a member of the Company. Duly completed instrument of proxies in order to be effective must be reached the registered office of the Company not less than 48 hours before the scheduled time of the meeting.**

2. A person can act as proxy on behalf of members not exceeding fifty (50) and holding in the aggregate not more than 10% of the total share capital of the Company, provided a member holding more than 10%, of the total share capital may appoint a single person as proxy and such person shall not act as proxy for any other shareholder.

3. Corporate members intending to send their authorised representative to attend the meeting are requested to ensure that the authorised representative carries a certified copy of the Board resolution, Power of Attorney or such other valid authorisations, authorising them to attend and vote on their behalf at the meeting.

4. The Register of Members and Share Transfer Books of the Company will remain closed from Wednesday, 24th July 2019 to Tuesday, 30th July 2019 (both days inclusive).

5. For the convenience of the Members and for proper conduct of the Meeting, entry to the place of the Meeting will be regulated by the Attendance Slip, annexed to the Proxy Form. Members/Proxies are requested to bring the attendance slip duly filled in and to affix their signature at the place provided on the Attendance Slip and hand it over at the counters at the venue.

6. Members who hold the shares in the dematerialized form are requested to incorporate their DP ID Number and Client ID Number in the Attendance Slip/Proxy Form, for easier identification of attendance at the Meeting.

7. Notice of this Annual General Meeting, Audited Financial Statements for 2018-19 along with Directors' Report and Auditors' Report are available on the website of the Company www.easterntreads.com.

8. Members and Proxies attending the meeting are requested to bring the annual report to the meeting as extra copies will not be distributed.

9. The Company is having agreements with NSDL and CDSL to enable Members to have the option of dealing and holding the shares of the Company in electronic form. Any member desirous to dematerialise his holding may do so through any of the depository participants. The ISIN of the equity shares of the Company is INE500D01015.

10. SEBI has mandated the submission of Permanent Account Number by every participant in securities market. Members holding shares in electronic form are, therefore, requested to submit their PAN to their respective Depository Participants. Members holding shares in physical form can submit their PAN to the Company/RTA. SEBI has also mandated the submission of copy of the PAN card to the Company/RTA by the transferee(s) as well as transferor(s) for registration of transfer of securities.

11. Members are requested to address all correspondence, including change in their addresses, to the Company or to the Registrar and Share Transfer Agent, Integrated Registry Management Services Private Limited, 2$^{nd}$ Floor, Kences Towers, No: 1, Ramakrishna Street, North Usman Road, T. Nagar, Chennai - 600017. E-mail: yuvraj@integratedindia.in. Members whose shareholdings are in electronic mode are requested to approach their respective depository participants for effecting change of address.

12. The Shareholders are requested to update the contact address and e-mail address and are requested to notify immediately any change in their address, exclusively on separate letter without clubbing it with any other request, for quicker attention directly to the Company's Share Transfer Agent.

13. Members who are holding shares in the same name or in the same order of names, under different folios, are requested to notify the same to the Registrar and Share Transfer Agent for consolidation of their shareholding into a single folio.

14. Members desirous of getting any information on the Annual Accounts, at the Annual General Meeting, are requested to write to the Company at least ten days in advance, so as to enable the Company to keep the information ready.

15. As per Section 72 of the Companies Act, 2013, shareholders are entitled to make nomination in respect of shares held by them. Shareholders desirous of making nomination are requested to send their request in Form No: SH-13 (which will be made available on request) to the Company or Registrar and Share Transfer Agent. The said nomination form can also be downloaded from the Company's website www.easterntreads.com.

16. At the ensuing Annual General Meeting, Mr. Navas M Meeran, having DIN: 00128692 retires by rotation and seek reappointment. The Board recommends the appointment Mr. K.S. Neelacanta Iyer (DIN: 00328870), Mr. M.S. Ranganathan (DIN: 00254692) and Mrs. Rani Joseph (DIN: 07423144), Independent Directors for a term of 5 years with effect from 9$^{th}$ May, 2019 to 8$^{th}$ May 2024 and Mr. Rajesh Jacob (DIN: 06443594), Nominee Director till such date upon withdrawal by KSIDC. The information about the director as required to be provided pursuant to the Listing Agreement read with SEBI (LODR) Regulations, 2015 are furnished hereunder.

### Details of Directors seeking reappointment at the AGM

| | | | |
|---|---|---|---|
| 1) Name of Director | : | **Mr. Navas M. Meeran** | **Dr. Rani Joseph** |
| 2) DIN | : | 00128692 | 07423144 |
| 3) Date of Birth | : | 23 July 1969 | 15 November 1952 |
| 4) Date of appointment | : | 26 August 1997 | 09 May 2019 |
| 5) Qualifications | : | Post Graduate in Business Management | MSc in Chemistry, B.Tech and Ph.D in Polymer Technology |
| 6) Expertise in specific functional area | : | He is the current Chairman of the Eastern Group of Companies, a fast developing and progressive group based out of Kerala.<br><br>Post Graduate in Business Management. He hails from a respectable business family in Adimali renowned for manufacturing and exporting of spices and curry powder. After graduating in Commerce, Mr. Meeran joined the family business and has over 33 years of experience and having immense practical experience in tyre retreading industry. His distinct entrepreneurial talent coupled with his hard work and persistence has contributed substantially to the growth of the group to its present stature. Through his leadership, Eastern has gained global presence, and its growth in the international market continues to soar.<br><br>He is the past Chairman of Confederation of Indian Industry (CII), Southern Region and Co-Chair-CII Expert Group on Doubling Farmers' Income, Member-CII National Council. Apart from this, he is also the Chairman of M E Meeran Foundation for Entrepreneurship. | She was the head of the department, Polimer Science and Rubber technology of Cochin University of Science and Technology and the Director of JJ Murphy Research Centre. She has 38 years of experience in post graduate teaching and research and giving consultancy services in Rubber Processing and Technology<br><br>Member of many academic and other bodies like NBA Desk Appraisal Committee, Business Advisory Committee Skill Development Mission of Government of Kerala and many bodies like MRSI, SPSI, ACS and Chairman of IRI Kerala Branch and National Education committee of IRI.<br><br>Published research papers in internationally reputed journals and presented invited lectures/ contributory papers in National and International Conferences. Contributed chapters to RAPRA handbooks and published book, Practical Guide to Latex Technology.<br><br>Research areas are Nano composites, Polymer blends, Polymers for optical recording, Photorefractive and photo conducting polymers, Electrically conducting polymers, Fibre reinforced composites etc. Involved in the skill development programme of the RSDC and ASAP of the Government of Kerala. |
| 7) Details of other Directorship in listed Companies | : | Nil | Nil |
| 8) Membership/ Chairmanship of committees of other Listed companies | : | Nil | Nil |
| 9) Number of shares held in the Company | : | Equity : 1322250<br>Preference : 720000 | Nil |

| | | | | |
|---|---|---|---|---|
| 1) | : | **Mr. K.S. Neelakanta Iyer** | **Mr. Rajesh Jacob** | **Mr. M.S. Ranganathan** |
| 2) | : | 00328870 | 06443594 | 00254692 |
| 3) | : | 12 March 1947 | 15 December 1970 | 15 June 1948 |
| 4) | : | 09 May 2019 | 09 November 2018 | 09 May 2019 |
| 5) | : | Graduate in Commerce, Fellow Member of ICAI | Graduate in Commerce, Member of ICMAI | B.Com; CAIIB |
| 6) | : | He has vast experience and expertise in Finance, Accounts and Company Law matters.<br><br>He is a Practicing Chartered Accountant. | Having more than 22 years of experience in Finance, accounts & Project implementation. Presently working as AGM (F&A) at KSIDC.<br><br>Conducted study of different Industrial sectors and recommend the Government for policy decisions, prepared and implemented rehabilitation schemes of sick units & monitored various assisted units. Acting as Director & observer of various companies. | He has more than three decades of service in public sector banks in various capacities.<br><br>Specialised in Finance and Accounts, has wide expertise in finance and administration. |
| 7) | : | Nil | Nil | Nil |
| 8) | : | Nil | Nil | Nil |
| 9) | : | Nil | Nil | Nil |

17. In pursuance of Sections 124 of the Companies Act 2013 and other applicable provisions, if any the amount of dividends that remain unclaimed/unpaid for a period of seven years from the date on which they were declared, is required to be transferred to the Investor Education and Protection Fund (IEPF). Shareholders, who have not claimed their dividend including interim dividend, if any, are requested to make their claims without any delay. The details of such unclaimed dividends are available on the Company's website.

18. Pursuant to Section 101 and Section 136 of the Companies Act, 2013 read with relevant provisions of Companies (Management and Administration) Rules, 2014, companies can serve annual reports and other communications through electronic mode to those members who have registered their e-mail address either with the company or with the depository. Hence, members are requested to provide their email address to the Company/the Registrar and Transfer Agent or update the same with their depositories to enable the Company to send the documents in electronic form.

19. Pursuant to the prohibition imposed vide Section 118 of the Companies Act, 2013 read with Secretarial Standard on General Meetings (SS-2) issued by the Institute of Company Secretaries of India, no gifts/coupons shall be distributed at the Meeting.

20. **Voting through Electronic means**

a) In compliance with Section 108 of the Companies Act, 2013, read with corresponding Rules and the Listing Agreement read with Regulation 44 of SEBI (LODR) Regulations 2015, the Company has provided a facility to its members to exercise their right to vote on resolutions proposed to be considered at the 26th Annual General Meeting by electronic means and the business may be transacted through e-Voting ("remote e-voting") Service facilitated by National Securities Depository Limited (NSDL). The facility for voting through ballot paper shall be made available at the AGM and the members attending the meeting who have not cast their vote by remote e-voting shall be able to exercise their right at the meeting through ballot paper. The members who have cast their vote by remote e-voting prior to the AGM may also attend the AGM but shall not be entitled to cast their vote again. A person, whose name is recorded in the register of members or in the register of beneficial owners maintained by the depositories as on the cutoff date i.e. 24/07/2019 only shall be entitled to avail the facility of remote e-voting as well as voting at the AGM through ballot paper.

b) The remote e-voting period commences on 27/07/2019 (9:00 am) and ends on 29/07/2019 (5:00 pm). During this period members' of the Company, holding shares either in physical form or in dematerialised form, as on the cutoff date may cast their vote by remote e-voting. The remote e-voting module shall be disabled by NSDL for voting thereafter. Once the vote on a resolution is cast by the member, the member shall not be allowed to change it subsequently.

c) The process and manner for remote e-voting are as under

How do I vote electronically using NSDL e-Voting system?

The way to vote electronically on NSDL e-Voting system consists of "Two Steps" which are mentioned below:
**Step 1 : Log-in to NSDL e-Voting system at** https://www.evoting.nsdl.com/
**Step 2 : Cast your vote electronically on NSDL e-Voting system.**

Details on Step 1 is mentioned below:

How to Log-in to NSDL e-Voting website?

1. Visit the e-Voting website of NSDL. Open web browser by typing the following URL: https://www.evoting.nsdl.com/ either on a Personal Computer or on a mobile.

2. Once the home page of e-Voting system is launched, click on the icon "Login" which is available under 'Shareholders' section.

3. A new screen will open. You will have to enter your User ID, your Password and a Verification Code as shown on the screen. Alternatively, if you are registered for NSDL eservices i.e. IDEAS, you can log-in at https://eservices.nsdl.com/ with your existing IDEAS login. Once you log-in to NSDL eservices after using your log-in credentials, click on e-Voting and you can proceed to Step 2 i.e. cast your vote electronically.

4. Your User ID details are given below :

| Manner of holding shares i.e. Demat (NSDL or CDSL) or Physical | Your User ID is: |
|---|---|
| (a) For Members who hold shares in demat account with NSDL. | 8 Character DP ID followed by 8 Digit Client ID<br>For example if your DP ID is IN300*** and Client ID is 12****** then your user ID is IN300***12******. |
| (b) For Members who hold shares in demat account with CDSL. | 16 Digit Beneficiary ID<br>For example if your Beneficiary ID is 12************** then your user ID is 12************** |
| (c) For Members holding shares in Physical Form. | EVEN Number followed by Folio Number registered with the company<br>For example if folio number is 001*** and EVEN is 101456 then user ID is 101456001*** |

5. Your password details are given below:

   a. If you are already registered for e-Voting, then you can user your existing password to login and cast your vote.

   b. If you are using NSDL e-Voting system for the first time, you will need to retrieve the 'initial password' which was communicated to you. Once you retrieve your 'initial password', you need to enter the 'initial password' and the system will force you to change your password.

c. How to retrieve your 'initial password'?

   i. If your email ID is registered in your demat account or with the company, your 'initial password' is communicated to you on your email ID. Trace the email sent to you from NSDL from your mailbox. Open the email and open the attachment i.e. a .pdf file. Open the .pdf file. The password to open the .pdf file is your 8 digit client ID for NSDL account, last 8 digits of client ID for CDSL account or folio number for shares held in physical form. The .pdf file contains your 'User ID' and your 'initial password'.

   ii. If your email ID is not registered, your 'initial password' is communicated to you on your postal address.

6. If you are unable to retrieve or have not received the " Initial password" or have forgotten your password:

   a) Click on "Forgot User Details/Password?"(If you are holding shares in your demat account with NSDL or CDSL) option available on www.evoting.nsdl.com.

   b) Physical User Reset Password?" (If you are holding shares in physical mode) option available on www.evoting.nsdl.com.

   c) If you are still unable to get the password by aforesaid two options, you can send a request at evoting@nsdl.co.in mentioning your demat account number/folio number, your PAN, your name and your registered address.

   d) Members can also use the OTP (One Time Password) based login for casting the votes on the e-Voting system of NSDL.

7. After entering your password, tick on Agree to "Terms and Conditions" by selecting on the check box.

8. Now, you will have to click on "Login" button.

9. After you click on the "Login" button, Home page of e-Voting will open.

Details on Step 2 is given below:

How to cast your vote electronically on NSDL e-Voting system?

1. After successful login at Step 1, you will be able to see the Home page of e-Voting. Click on e-Voting. Then, click on Active Voting Cycles.
2. After click on Active Voting Cycles, you will be able to see all the companies "EVEN" in which you are holding shares and whose voting cycle is in active status.
3. Select "EVEN" of Eastern Treads Ltd to cast your vote.
4. Now you are ready for e-Voting as the Voting page opens.
5. Cast your vote by selecting appropriate options i.e. assent or dissent, verify/modify the number of shares for which you wish to cast your vote and click on "Submit" and also "Confirm" when prompted.
6. Upon confirmation, the message "Vote cast successfully" will be displayed.
7. You can also take the printout of the votes cast by you by clicking on the print option on the confirmation page.
8. Once you confirm your vote on the resolution, you will not be allowed to modify your vote.

General Guidelines for shareholders

1. Institutional shareholders (i.e. other than individuals, HUF, NRI etc.) are required to send scanned copy (PDF/JPG Format) of the relevant Board Resolution/ Authority letter etc. with attested specimen signature of the duly authorized signatory(ies) who are authorized to vote, to the Scrutinizer by e-mail to sathveeka001@gmail.com or evoting@eastern.in with a copy marked to evoting@nsdl.co.in.

2. It is strongly recommended not to share your password with any other person and take utmost care to keep your password confidential. Login to the e-voting website will be disabled upon five unsuccessful attempts to key in the correct password. In such an event, you will need to go through the "Forgot User Details/Password?" or "Physical User Reset Password?" option available on www.evoting.nsdl.com to reset the password.

3. In case of any queries, you may refer the Frequently Asked Questions (FAQs) for Shareholders and e-voting user manual for Shareholders available at the download section of www.evoting.nsdl.com or call on toll free no.: 1800-222-990 or send a request at evoting@nsdl.co.in

d) The voting rights of members shall be in proportion to their shares of the paid up equity share capital of the Company as on the cutoff date. Any person who acquires shares and become member of the Company after dispatch of the notice and holding shares as of the cutoff date may obtain the login ID and password by sending a request at evoting@nsdl.co.in or yuvraj@integratedindia.in. However, if you are already registered with NSDL for remote e-voting then you can use your existing user ID and password for casting your vote.

e) CS. Satheesh Kumar N., Company Secretary (Membership No. 16543), Partner M/s. Satheesh & Remesh, Company Secretaries has been appointed for as the Scrutinizer for providing facility to the members of the Company to scrutinize the voting and remote e-voting process in a fair and transparent manner. The Chairman shall, at the AGM, at the end of discussion on the resolutions on which voting is to be held, allow voting with the assistance of scrutinizer, by use of "remote e-voting" or "Ballot Paper" for all those members who are present at the AGM but have not cast their votes by availing the remote e-voting facility.

f) The Scrutinizer shall after the conclusion of voting at the General Meeting, will first count the votes cast at the meeting and thereafter unblock the votes cast through remote e-voting in the presence of at least two witnesses not in the employment of the Company and shall make, not later than three days of the conclusion of the AGM, a consolidated scrutinizer's report of the total votes cast in favour or against, if any, to the Chairman or a person authorized by him in writing, who shall countersign the same and declare the result of the voting forthwith.

g) The results declared along with the report of the Scrutinizer shall be placed on the website of the Company http://www.easterntreads.com and on the website of NSDL immediately after the declaration of result by the Chairman or a person authorized by him in writing. The results shall also be immediately forwarded to the BSE Limited, Mumbai.

## ANNEXURE TO NOTICE

## EXPLANATORY STATEMENT PURSUANT TO SECTION 102 (1) OF THE COMPANIES ACT, 2013

The following Statement sets out all material facts relating to the Special Business mentioned in the accompanying Notice dated May 27, 2019:

### Item No: 3 & 4 - Re-appointment of Independent Directors

As the initial period of office of Independent Director expired on 31st March, 2019 Mr. K.S. Neelacanta Iyer (DIN: 00328870) and Mr. M.S. Ranganathan (DIN: 00254692) have vacated the office of Independent Directors with effect from 01/04/2019. Since, they meet the criteria of independence under Section 149(6) of the Companies Act, 2013 and are eligible for re-appointment for a second term under the provisions of the Companies Act, 2013 and rules made thereunder and SEBI (LODR) Regulations, 2015, complying the provisions of Sections 149, 150, 152 161 read with Schedule IV and other applicable provisions of the Companies Act, 2013 and the Companies (Appointment and Qualification of Directors), Rules, 2014, SEBI (LODR) Regulations, 2015 and Article 10 of Articles of Association of the Company the Board appointed them as additional directors in the category of Independent directors in the intermittent vacancy, pursuant to second proviso to the Rule 4 (iii) of the Companies (Appointment and Qualification of Directors)

Rules, 2014, and recommend their appointment as Independent Directors for another term of 5 years with effect from 9th May, 2019 to 8th May 2024, subject the approval of shareholders by way of special resolution.

Pursuant to the provisions of Section 161 of the Companies Act, 2013 they hold office up to the date of this Annual General Meeting and the Company received notices proposing their candidature for the office of Director and the Nomination and Remuneration Committee has also recommended their appointment as Independent Directors of the Company.

The Company has received their consent in writing to act as Director in Form DIR-2 pursuant to Rule 8 of the Companies (Appointment & Qualification of Directors) Rules, 2014, intimation in Form DIR-8 in terms of Companies (Appointment & Qualification of Directors) Rules, 2014 to the effect that they are not disqualified under section 164(2) of the Act, and declaration to the effect that they meets the criteria of Independence as provided in Section 149 of the Act.

The Board of Directors of your Company are of the opinion that Mr. K.S. Neelacanta Iyer and Mr. M.S. Ranganathan fulfills the conditions specified in the Act and the Rules made there under to be eligible to be appointed as Independent Directors pursuant to the provisions of Section 149 of the Act. The Board of Director of your Company is also of the opinion that Mr. K.S. Neelacanta Iyer and Mr. M.S. Ranganathan are Independent of the management of the Company. Copy of the draft letter of their appointment as Independent Directors setting out the terms and conditions is available for inspection at the registered office of the Company during normal business hours on all working days up to the date of Annual General Meeting.

The information about the directors as required to be provided pursuant to the Listing Agreement read with SEBI (LODR) Regulations, 2015 are furnished here in. The Board seeks approval of the members for the appointment of Mr. K.S. Neelacanta Iyer and Mr. M.S Ranganathan as Independent Directors of the Company for a second term of 5 years with effect from 9th May, 2019 to 8th May 2024 pursuant to Section 149 and other applicable provisions of the Act, Rules made there under and that they shall not be liable to retire by rotation. Except Mr. K.S. Neelacanta Iyer and Mr. M.S. Ranganathan, no other Director or Key Managerial Personnel of the Company or their relatives are concerned or interested in the respective proposed resolutions.

**Item No: 5 - Appointment of Mrs. Rani Joseph (DIN: 07423144) as an Independent Director**

In compliance with the provisions of Sections 149, 150, 152 161 read with Schedule IV and other applicable provisions of the Companies Act, 2013 and the Companies (Appointment and Qualification of Directors), Rules, 2014, SEBI (LODR) Regulations, 2015 and Article 10 of Articles of Association of the Company. Mrs. Rani Joseph (DIN: 07423144), was appointed as an Additional Director and Independent director, and recommend for appointment as independent Director for a term of 5 years with effect from 9th May, 2019 to 8th May 2024, subject the approval of shareholders and she hold office up to this ensuing Annual General Meeting.

The Board of Directors has received a notice from the shareholder proposing the candidature of Mrs. Rani Joseph as an Independent Director and the Nomination and Remuneration Committee has recommended her appointment as a director of the Company. The Company has received her consent in writing to act as Independent Director in Form DIR-2 pursuant to Rule 8 of the Companies (Appointment & Qualification of Directors) Rules 2014, intimation in Form DIR- 8 in terms of Companies (Appointment & Qualification of Directors) Rules, 2014 to the effect that she is not disqualified under sub-section (2) of Section 164 of the Companies Act, 2013 and declaration to the effect that she meets the criteria of Independence as provided in Section 149 of the Act.

The Board of Directors of your Company are of the opinion that Mrs. Rani Joseph fulfills the conditions specified in the Act and the Rules made there under to be eligible to be appointed as Independent Director pursuant to the provisions of Section 149 of the Act. The Board of Director of your Company is also of the opinion that Mrs. Rani Joseph is Independent of the management of the Company. A copy of the draft letter of her appointment as an Independent Director setting out the terms and conditions is available for inspection at the registered office of the Company during normal business hours on all working days up to the date of Annual General Meeting.

The information about the directors as required to be provided pursuant to the Listing Agreement read with SEBI (LODR) Regulations, 2015 are furnished here in. The Board seeks approval of the members for the appointment of Mrs. Rani Joseph as Independent Director of the Company for a term of 5 years with effect from 9th May, 2019 to 8th May 2024 pursuant to Section 149 and other applicable provisions of the Act, Rules made there under and that she shall not be liable to retire by rotation. Except Mrs. Rani Joseph, no other Director or Key Managerial Personnel of the Company or their relatives are concerned or interested in the proposed resolution.

**Item No: 6 - Appointment of Mr. Rajesh Jacob (DIN: 06443594) as Nominee Director of the Company**

In compliance with the provisions of Sections 149, 152, 161 other applicable provisions if any, of the Companies Act, 2013, the Companies (Appointment and Qualification of Directors) Rules, 2014, as nominated Kerala State Industrial Development Corporation Limited Mr. Rajesh Jacob (DIN: 06443594) was appointed as an Additional Director of the Company in the capacity of Nominee Director and he hold office up to this ensuing Annual General Meeting. Mr. Rajesh Jacob has conveyed his consent to act as a director of the Company and offer himself for appointment. The Nomination and Remuneration Committee has recommended his appointment as a director of the Company.

The Board of Directors has received a notice from the shareholder proposing the candidature of Mr. Rajesh Jacob as Nominee Director and the Nomination and Remuneration Committee has recommended his appointment as a director of the Company. The Company received his consent in writing to act as Director in Form DIR-2 pursuant to Rule 8 of the Companies (Appointment & Qualification of Directors) Rules 2014, intimation in Form DIR- 8 in terms of Companies (Appointment & Qualification of Directors) Rules, 2014 to the effect that he is not disqualified under sub-section (2) of Section 164 of the Companies Act, 2013.

A copy of the draft letter for the appointment of Mr. Rajesh Jacob as a Nominee Director setting out the terms and conditions is available for inspection without any fee by the members at the Company's Registered Office during normal business hours on working days up to the date of the Annual General Meeting. The information about the directors as required to be provided pursuant to the Listing Agreement read with SEBI (LODR) Regulations, 2015 are furnished here in. The resolution seeks the approval of members for the appointment of Mr. Rajesh Jacob as Nominee Director pursuant to Section 149 and other applicable provisions of the Companies Act, 2013 and the Rules made hereunder, till such date of withdrawal by KSIDC, not liable to retire by rotation at the Annual General Meeting. Except Mr. Rajesh Jacob, no other Director or Key Managerial Personnel of the Company or their relatives are concerned or interested in the proposed resolution.

**Item No: 7 - Consent of Members for increase in the limits applicable for making investments / extending loans and giving guarantees or providing securities in connection with loans to Persons / Bodies Corporate**

As part of requirement under various contracts of the company and also to achieve long term strategic and business objectives, Company proposes to invest in its subsidiary Company or grant loans, give corporate guarantees or provide securities to other persons or other body corporate including the subsidiary company from time to time, in compliance with the applicable provisions of the Act.

Pursuant to the provisions of section 186(3) of the Companies Act, 2013 and rules made there under, the Company needs to obtain prior approval of shareholders / members by way of special resolution in case the amount of investment, loan, guarantee or security proposed to be made is more than sixty percent of the paid up share capital, free reserves and securities premium account or one hundred percent of free reserves and securities premium account, whichever is higher.

As per the latest audited Balance Sheet of the Company as on 31st March 2019, sixty per cent of the paid-up share capital, free reserves and securities premium account amounts to ₹513.09 Lakhs while one hundred per cent of its free reserves and securities premium account amounts to (-)₹586.03 Lakhs. Therefore, the maximum limit available to the Company under Section 186(2) of the Act for making investments or giving loans or providing guarantees / securities in connection with a loan, as the case may be, is ₹513.09 Lakhs.

As on 31st March 2019, the aggregate value of investments and loans made and guarantee and securities issued by the Company, as the case may be, amounts to ₹35.53 Lakhs. In view of the above and considering the long term business plans of the Company, which requires the Company to make loans / investments and issue guarantees / securities to persons or bodies corporate, from time to time, prior approval of the Members is being sought to authorize the Board to exercise powers for an amount not exceeding ₹10 crore (Rupees Ten Crore Only) over and above the limit, as prescribed under Section 186 of the Companies Act, 2013. Hence, the Special Resolution. None of the Directors/ Key Managerial Personnel of the company/ their relatives are in any way concerned or interested, in the resolution. However they may deemed to be interested only to the extent they are Directors of the Holding Company.

**Item No: 8 – General Approval for transaction with Related Parties.**

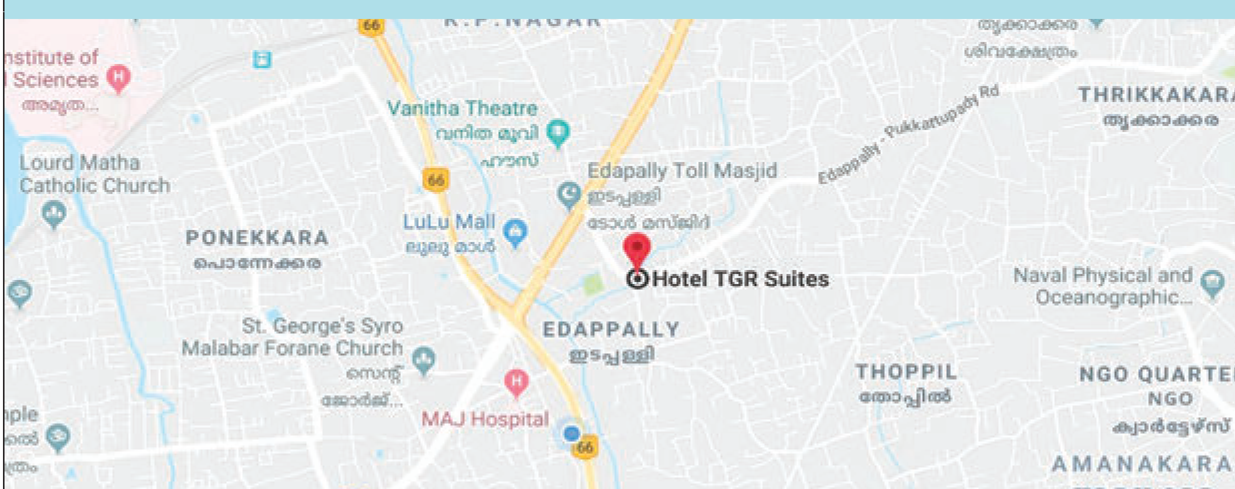
Pursuant to Section 188 of the Companies Act 2013 and The Companies (Meetings of Board and its Powers) Rules, 2014, no contracts or arrangement with a related party with respect to the transactions specified in that Section can be entered by our company, other than transactions which are entered in the ordinary course of business on an arm's length basis without the consent of the Shareholders.

Further, your Company cannot enter into any contract or arrangement with its subsidiary, Shipnext Solutions (P) Ltd for any transactions which are not in the ordinary course of business and which are not on an arm's length basis unless prior approval from its Members has been obtained. Your Company does enter into business transactions with its subsidiary in the ordinary course of business for sale, purchase or supply of any goods or materials or rendering of any services or guaranteeing any borrowings by/providing any loans. In view of the growing operations, the Company requires to trade, avail and render services with following Related Parties namely 1) Shipnext Solutions (Private) Limited and 2) Eastern Retreads (Private) Ltd.

Even though the transactions will be entered in the ordinary course of business of the Company on an arm's length basis, to remain fully compliant beyond any reason for doubt as well as for good Corporate Governance the consent of the shareholders pursuant to Section 188 of the Companies Act, 2013 and the Rules made thereunder is being requested to enable the Board to enter into contracts for Sale, Purchase of goods and availing and rendering services with the above Related Parties for a period of 5 Years with effect from 1st April 2019 for an amount not exceeding Rupees Ten Crores per financial year with each Related Party. Except Mr. Navas M Meeran, Mrs. Shereen Navas and Mr. Naiju Joseph no other Director or Key Managerial Personnel of the Company or their relatives are concerned or interested in the proposed resolution. However they may deemed to be interested only to the extent they are Directors of the Holding Company/ Subsidiary Company.

**Route Map & Land Mark**

26th AGM on Tuesday, 30th July 2019, at 3.00 PM
**Hotel TGR Suites**,
Thannikal, Pukkattupady Road, Edappally Toll, Cochin, Ernakulam, Kerala. PIN 682024



# DIRECTORS' REPORT

Dear Member,

Your Directors have pleasure in presenting the 26th Annual Report on the business and operations of the Company and the audited standalone and consolidated Ind AS financial statements for the financial year ended 31st March, 2019 along with comparatives.

## Financial Summary and Highlights

The following table shows the operational results of the Company for the year 2018-19 as compared to that of the previous year.

(₹in lakhs)

| | Standalone | | Consolidated |
|---|---|---|---|
| | Year ended | | Year ended |
| | 31/03/19 | 31/03/18 | 31/03/19 |
| Revenue from Operations | 9,745.88 | 9,539.36 | 9,745.88 |
| Other Income | 47.63 | 22.32 | 47.03 |
| Total Revenue | 9,793.51 | 9,561.68 | 9,792.91 |
| Expenditure | 9358.04 | 9,271.80 | 9367.19 |
| Profit before Interest, Depreciation, Exceptional items and Tax | 435.47 | 289.88 | 425.72 |
| Depreciation/Amortisation/ Impairment | 263.32 | 210.67 | 264.30 |
| Profit (loss) before Finance Costs, Exceptional items and Tax | 172.15 | 79.21 | 161.42 |
| Financial Cost | 361.33 | 326.92 | 361.60 |
| Profit (loss) before Exceptional items and Tax Expense | (-)189.18 | (-)247.71 | (-)200.18 |
| Exceptional items | 0.00 | 0.00 | 0.00 |
| Profit (Loss) before Tax | (-)189.18 | (-)247.71 | (-)200.18 |
| Tax Expense (Current & Deferred) | (-)18.41 | (-)18.32 | (-)18.66 |
| Profit (Loss) for the year | (-)170.77 | (-)229.39 | (-)181.52 |
| Other comprehensive income/ (loss) (net of tax expenses) | (-)19.84 | (-)6.51 | (-)19.84 |
| Total comprehensive (loss)/income for the period | (-)190.61 | (-)235.90 | (-)201.36 |

## Standalone Performance

During the year the Company managed its revenue growth despite the mid-year disruption created by the floods in Kerala which created logistics issues and adversely affected operations. The revenue has improved by 2.43%, when compared to the previous year. Gross product margins improved by ~300 basis points to 29.5%. PBIDT has improved by 50.23%. Key raw material prices were volatile in nature and this unpredictability impacted margins. We have taken steps to integrate production and enhance efficiencies and aggregated the production facility for conventional tread rubber and bonding gum to our own facility.

Your Company continue to judiciously expand volumes across all our sales channels which will help us deliver stronger volume by increasing utilization of our production facility in coming years. Exports are beginning to see a meaningful uptick with increased sales. As the capacity utilization increases, we expect higher contribution margin and profitability. The operations are exhaustively discussed in 'Management Discussion and Analysis' forming part of the annual report.

## Consolidated Performance

The logistics sector has always been the backbone for growth in India. However, road transportation in India is largely unorganised and fragmented with a large number of players operating from different parts of India. Apart from a few leading players, most of the transporters are scattered and operate within their regional limits. Inability to optimise transportation routes, empty return loads, lack of information and transparency in pricing are some of the key challenges faced by the stakeholders in this industry. Transport system was facing a number of challenges including inefficiency, corruption, theft of merchandise, delays in transit, and high cost of transportation. Despite these challenges this sector is crucial for economic and social development. The success of logistic business is depends on its capability to offer cost effective, flexible, and efficient services for transportation and applying information technology in B2B and B2C logistic space will address these challenges.

The logistics startups providing digital marketplace to the spectrum of logistics can capitalise this opportunity and change the industry through technology. Recently there has been increased investments in logistics startups providing a digital marketplace in the business to business (B2B) space. The Company has invested and hold 55% shareholding of Shipnext Solutions Private Limited, a logistics startup. Shipnext is engaged in the development of IT software and aims to bring the material transportation sector in India into the foray of information technology by bringing transporters and customers on a single technological platform. It is in the process of providing an intelligent platform for interaction between transporters and customers to fix the prices beforehand and proceed with the shipment. By this it can bridge the gap between transporters, customers and all others involved in this industry by bringing them together into a common platform for continuous interaction, which helps the transporters to operate without geographical limits and obtain complete information on the opportunities available that will enable them to plan and optimise their trips. It helps customers to obtain the best possible rates for their shipments with real time tracking of shipments, ensure fast and safe delivery and prompt release of payment to the transporters.

Shipnext has completed the development of first phase of application and are in the process of aggregation and incorporation transporters' and customers' data into the application. By investing in Shipnext the business of our Company will be benefited as the end consumers of the two business are the same and we will get an aggregated platform of our consumers to market our products as well.

## Reserves

In view of the loss incurred during the year, the Board of Directors of your company, has decided not to transfer any amount to the reserves for the year under review.

## Dividend

In view of loss incurred during the year under review and losses of earlier years, your Directors do not recommend any dividend during the year under review.

## Material Changes and Commitments

There have been no material changes and commitments, which affect the financial position of the company which have occurred between the end of the financial year to which the financial statements relate and the date of this Report

## Capital and Debt Structure

About 34.61% of the paid up equity share capital of the Company are held by a large number of public shareholders. The category-wise shareholdings are reported in the "Extract of Annual Return" forming part of the annual report. Your Company has neither issued any shares with differential voting rights nor has granted any stock options or sweat equity. None of the Directors or the Key Managerial Personnel of the Company holds instruments convertible into equity shares of the Company.

As per the terms of issue (as varied), the outstanding Zero Coupon Redeemable Preference Shares are liable to be redeemed at the rate of Rupees One Crore every year in a phased manner. The Company has the option to stretch the redemption until 9th February 2029, being the date of expiry of 20 (twenty) years from the date of the original allotment of Preference Shares viz., 9th February 2009.

While the first tranche of redemption of Rupees One Crore was made in FY 2016-17; no redemption was made in FY 2017-18 and FY 2018-19. The Board of Directors at its meeting held on 14th February, 2019 approved the proposal to convert 9,00,000 Outstanding Redeemable Preference Shares of ₹100/- each aggregating to ₹900 Lakhs into Equity Shares of ₹10/- each by issue of equity shares through Preferential Allotment route to the Preference Shareholders; as consented by them on that date.

The Preferential allotment proposed shall be for such number of shares and at such issue price per equity share as may be discovered in accordance with the provisions of Section 62(1)(c) of Companies Act, 2013 read with Rule 13 of Companies (Share Capital and Debentures) Rules, 2014, the applicable provisions of Rule 14 of Companies (Prospectus and Allotment of Securities) Rules, 2014, and in compliance of Chapter V of SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018 and SEBI (Substantial Acquisitions of Shares and Takeovers) Regulations, 2011; for a value not exceeding ₹900 Lakhs, subject to obtaining Equity shareholders' approval and other regulatory approvals, as may be required. The Outstanding Redeemable Preference Shares shall upon approval of Equity shareholders be treated as Convertible Preference Shares with effect from the date of Equity Shareholders approval till the date of the completion of the conversion.

Considering that Kerala State Industrial Development Corporation (KSIDC) is also a Promoter Shareholder, the Board has expressed the need to obtain their consent prior to proceeding with the Equity Shareholders' Approval. Company is in the process of getting approval from KSIDC to take further steps for the proposed conversion of Preference Shares.

### Directors and Key Managerial Personnel

Mr. M.E. Mohamed, Managing Director, Mr. Mohammed Sherif Shah, Chief Financial Officer and CS. Baiju T., Company Secretary are the Whole-time Key Managerial Personnel of the Company. Mr. Rajesh S., resigned from the office Chief Executive Officer with effect from 11th November 2018.

Mr. K.V Rajagopalan Nair, Nominee Director vacated from the office of director of the company with effect from 13th September 2018. Kerala State Industrial Development Corporation Limited has nominated Mr. Rajesh Jacob (DIN: 06443594) as their nominee in the Board in this vacancy and as recommended by Nomination and Remuneration Committee, the Board at its meeting held on 9th November, 2018 appointed him as additional director in the category of Nominee Director. As recommended by Nomination and Remuneration Committee, the Board recommends the appointment of the Nominee Director till such date upon withdrawal by KSIDC. Mr. Navas M Meeran, (DIN: 00128692), Chairman, retires by rotation at the ensuing Annual General Meeting and being eligible, offer himself for re-appointment. The Board recommends his appointment. None of the Directors is disqualified under Section 164 of the Companies Act, 2013.

### Independent Directors

Mr. K.S. Neelacanta Iyer (DIN: 00328870), Mr. M.S. Ranganathan (DIN: 00254692) Mrs. Rani Joseph (DIN: 07423144) are the Independent Directors of the Company. As the initial period of office of Independent Director expired on 31st March, 2019 Mr. K.S. Neelacanta Iyer and Mr. M.S. Ranganathan have vacated the office of Independent Directors with effect from 01/04/2019. The Board at its meeting held on 09/05/2019 appointed them as additional directors in the category of Independent director and in the intermittent vacancy of Independent Directors. Mrs. Rani Joseph (DIN: 07423144), was appointed as an additional director in the category of Independent director. As recommended by Nomination and Remuneration Committee, the Board recommends the appointment of the above Independent Directors for a term of 5 years with effect from 9th May, 2019 to 8th May 2024.

### Declaration by Independent Directors and statement on compliance of code of conduct

The Board has considered the declarations given by independent directors under Section 149 (7) stating that they meet the criteria of independence, complied with the Code for Independent Directors and that they are not aware of any circumstance or situation, which exist or may be reasonably anticipated, that could impair or impact their ability to discharge their duties with an objective independent judgment and without any external influence and are independent of the management.

### Board Meetings

Four Board meetings were held during the year. Details of Board meetings are included in Corporate Governance Report.

### Committees of the Board

The Company is having five Board Committees, Audit Committee, Nomination and Remuneration Committee, Stakeholders Relationship Committee, Risk Management Committee and Share Transfer Committee. Details of all the committees along with their main terms, composition and meetings held during the year under review are provided in the Report on Corporate Governance, a part of this Annual Report. The Board has accepted all recommendations of the Audit Committee during the year under review.

### Board Evaluation

The Board has annually evaluated the performance of the Board, its committees and individual directors. The Board evaluated the performance of Non-executive and Independent Directors. All the Directors are eminent personalities having wide experience in the field of business, industry and administration. Their presence on the Board is advantageous and fruitful in taking business decisions. Further details of Board evaluation are provided in the Report on Corporate Governance.

### Remuneration of Directors and Employees

The Board has considered the Company's policy on directors' appointment and remuneration including criteria for determining qualifications, positive attributes and independence of a director. The information required pursuant to Section 197 of the Companies Act, 2013 read with Rule 5 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 in respect of employees of the Company and Directors are annexed as Annexure -1 and forms part of this Report. No Directors of the Company has received any remuneration from the subsidiary company.

### Directors' Responsibility Statement

Pursuant to the requirement of Section 134 (3) and (5) of the Companies Act, 2013, your Directors confirm that:-

(a) In the preparation of the Annual Accounts, the applicable Accounting Standards have been followed and that there are no material departures.

(b) 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 your Company at the end of the financial year and of the profit of the Company for that period.

(c) Taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013 for safeguarding the assets of your Company and for preventing and detecting fraud and other irregularities.

(d) Prepared the Annual Accounts on a going concern basis.

(e) Devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

(f) Had laid down internal financial controls to be followed by the Company and that such internal financial controls are adequate and were operating effectively.

### Internal Financial Controls

Internal financial control and their adequacy are included in the Management Discussion and Analysis, forming part of this report.

### Frauds reported by the Auditor

The Statutory Auditors of the Company have not reported any fraud as specified under the second proviso to Section 143(12) of the Act.

### Performance and financial position of the subsidiaries, associates and joint ventures

Pursuant to Section 129(3) of the Companies Act, 2013 (“Act”), the consolidated financial statements of the Company and its subsidiary, prepared in accordance with the relevant Accounting Standard specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014, form part of this Annual Report.

Pursuant to the provisions of the said section, a statement containing the salient features of the financial statements of the Company’s subsidiary in Form AOC-1 is given in this Annual Report as Annexure - 2. Further, pursuant to the provisions of Section 136 of the Act, the standalone financial statements of the Company, consolidated financial statements of the Company, and the relevant consolidated financial statements and separate audited financial statements along with other relevant documents, in respect of subsidiaries, are available on the website of the Company. Except Shipnext Solutions Private Limited, the Company do not have subsidiaries, associates and joint ventures.

### Deposits

The Company has not accepted any fixed deposits during the year to which the provisions of Section 73 of the Companies Act, 2013 are applicable.

### Particulars of Loans, Guarantees or Investments

Particulars of loans, guarantees or investments under Section 186 of the Companies Act, 2013 are given in the notes to the Financial Statement. Company has invested ₹2.59 Lakhs in Shipnext Solutions Private Limited and hold 55% shareholding (1441550 Equity shares of ₹1/- each) by share purchase from its shareholders at the agreed price of Re.0.18 per share. Company has further agreed to provide financial assistance to Shipnext Solutions Private Limited in the form of loan or to give guarantee or provide security in connection with a loan taken by it up to limit ₹100 Lakhs on requirement basis.

### Contracts or Arrangements with Related Parties

There were no materially significant related party transactions which could have had a potential conflict with the interests of the Company. Transactions with related parties are in the ordinary course of business on arm’s length and are periodically placed before the Audit Committee and Board for its approvals and the particulars of contracts entered during the year, in Form AOC-2 is enclosed as Annexure - 3.

The Board of Directors, as recommended by the Audit Committee, adopted a policy to regulate transactions between the Company and its Related Parties, in compliance with the applicable provisions of the Companies Act 2013, the Rules thereunder and the Listing Agreement. The policy on Related Party Transactions as amended in line with SEBI (LODR) (Amendment) Regulations, 2018 is available on the website of the Company. The details of the transactions with related parties during the financial year are provided in the financial statements.

### Corporate Social Responsibility

Company has generally taken corporate social responsibility (CSR) initiatives. However, the present financial position of the Company does not mandate the implementation of CSR activities pursuant to the provisions of Section 135 and Schedule VII of the Companies Act, 2013.

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

Your Company continues its efforts to improve energy conservation and utilization most efficiently to nurture and preserve the environment and to exploit all its avenues to adopt latest technology in its operations. The information required under Section 134(3)(m) of the Companies Act, 2013 read with Rule 8 of the Companies (Accounts) Rules, 2014, regarding Conservation of Energy, Technology Absorption, Foreign Exchange Inflow and Outflow are given in Annexure - 4 to this report.

### Risk Management

Company has developed and implemented a risk management policy, and formed a Risk Management Committee to address and evaluate various risks impacting the Company and a report on risk management is provided in this Annual Report in Management Discussion and Analysis.

### Vigil Mechanism

A Vigil Mechanism for directors and employees to report genuine concerns has been established as required under the provisions of Section 177 of the Companies Act, 2013. The Vigil Mechanism Policy has been uploaded on the website of the Company.

### Material Orders of Judicial Bodies / Regulators

No significant and material orders were passed by Courts, Tribunals and other Regulatory Authorities affecting the going concern status of the Company's operations.

### Statutory Auditors and Auditors' Report

M/s. Walker Chandiok & Co LLP, Chartered Accountants, Kochi, were appointed as the Auditors of the Company at the Annual General Meeting held on 6$^{th}$ July 2017 to hold office for a period of 5 consecutive years. Necessary certificate and consent has been obtained from the Auditors as per Section 139(1) and 141 of the Companies Act, 2013 and the Companies (Audit and Auditors) Rules 2014 for their continuance as the Auditors of the Company. They Auditors have confirmed that they hold a valid certificate issued by the Peer Review Board of the ICAI. Since ratification by Shareholders every year for the appointment of the Statutory Auditors is not required the Notice of ensuing Annual General Meeting does not include the proposal for seeking Shareholders approval for ratification of Statutory Auditors appointment.

The Auditors' Report on the financial statement of the Company forms part of this Annual Report and it does not contain any qualifications, reservations or adverse remarks or disclaimer. The Auditor's observations are suitably explained in notes to the Accounts and are self-explanatory.

## Secretarial Audit Report

The secretarial audit report on the compliance of the applicable Acts, Laws, Rules, Regulations, Guidelines, Listing Agreement, Standards etc. as stipulated by Section 204 of the Companies Act 2013, read with the Companies (Appointment and Remuneration of Managerial Personnel) Rules 2014 forms part of this report as Annexure - 5. The findings of the audit have been satisfactory.

## Compliance with Secretarial Standards

The Company has complied with Secretarial Standards issued by the Institute of Company Secretaries of India on Board meetings and Annual General Meetings.

## Corporate Insolvency Resolution Process

No application filed for corporate insolvency resolution process, by financial or operational creditor or by the company under The Insolvency and Bankruptcy Code, 2016 before the National Company Law Tribunal during the year.

## Corporate Action

The Board of Directors approved the proposal to convert 9,00,000 Outstanding Redeemable Preference Shares into Equity Shares by issue of equity shares through Preferential Allotment route to the Preference Shareholders. Company is in the process of getting approval from Kerala State Industrial Development Corporation to take further steps for the proposed conversion of Preference Shares.

## Annual Return

In compliance with Section 134 of the Act, the Annual Return is uploaded on Companies website and can be accessed at www.easterntreads.com. Extract of Annual Return in Form MGT 9, pursuant to Section 92 of Companies Act, 2013 and Rule 12(1) of the Companies (Management and Administration) Rules, 2014, is annexed herewith as Annexure 6.

## Corporate Governance Report

Your Company has been complying with the principles of good Corporate Governance over the years and is committed to the highest standards of compliance. Pursuant to the Listing Agreement read with Regulation 15(2) of the SEBI (LODR) Regulations 2015, the compliance with the corporate governance provisions as specified in regulations 17 to 27 and clauses (b) to (i) of Regulation 46(2) and para C , D and E of Schedule V shall not apply the Company. However, as a good Corporate Governance practice the Company has generally complied with the Corporate Governance requirements and a report on Corporate Governance is annexed as Annexure - 7 and forms part of this Report.

## Management Discussion and Analysis Report

As required under SEBI (LODR) Regulations 2015 the Management Discussion and Analysis Report is annexed as Annexure – 8 and forms part of this Report.

## Employee Wellbeing and Safety

Your Company has implemented policies and procedures with the objective of ensuring employee safety, security and wellbeing at the workplace. As stated in our Code of Conduct, we are committed to provide a gender friendly workplace, equal opportunities for men and women, prevent/redress sexual harassment and institute good employment practices. The Company has adopted policy on prevention of sexual harassment in line with the requirements of the Sexual Harassment of Women at the work place (Prevention, Prohibition and Redressal) Act, 2013.

Internal Complaints Committee 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 of during the year:

| | | | |
|---|---|---|---|
| a) | Number of complaints pending at the beginning of the year | : | Nil |
| b) | Number of complaints received during the year | : | Nil |
| c) | Number of complaints disposed off during the year | : | Nil |
| d) | Number of cases pending at the end of the year | : | Nil |

### Cost Records and Cost Audit

Pursuant to Section 148 of the Companies Act, 2013 read with the Companies (Cost Records and Audit) Rules, 2014 the Cost Audit Report is not mandatorily applicable to our Company for the financial year, hence, no such audit has been carried out during the year. The Cost accounts and records as required to be maintained under Section 148 (1) of Act are duly made and maintained by the Company.

### Listing and Dematerialisation

The equity shares of the Company are listed on the BSE Limited. Shareholders are requested to convert their holdings to dematerialized form to derive its benefits by availing the demat facility provided by NSDL and CDSL.

### Acknowledgement

Your Directors wish to place on record their gratitude to Bankers, Share Transfer Agents, Auditors, Customers, Suppliers and Regulatory Authorities for their timely and valuable assistance and support. The Board values and appreciates the professionalism, commitment and dedication displayed by employees at all levels. Your Directors are thankful to the shareholders for their continued support and confidence.

For and on behalf of the Board

Kochi
27/05/2019

Navas M Meeran
Chairman
DIN: 00128692

**Annexure - 1**

## DIRECTORS'/ EMPLOYEES REMUNERATION

[Pursuant to Section 197(12) of Companies Act, 2013 read with
Rule 5 of Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014]

1) Ratio of the remuneration of each Director to the median remuneration of the employees and the percentage increase in remuneration of each Director, Chief Financial Officer, Chief Executive Officer, Company Secretary in the financial year 2018-19 are as follows:

| Name of Director / KMP | Designation | Ratio of remuneration of each Director / to median remuneration of employees * | % increase in remuneration of Directors* & KMP in the FY 2018-19 |
|---|---|---|---|
| Mr. M.E Mohamed | Managing Director | --- | --- |
| Mr. Rajesh S | CEO ** | NA | 0% |
| Mr. Mohammed Sherif Shah | CFO | NA | 9% |
| CS. Baiju T | Company Secretary | NA | 9% |

* None of the Directors received any remuneration other than sitting fees during the financial year 2018-19.

* Mr. Rajesh S., resigned from the office Chief Executive Officer with effect from 11th November 2018.

** For the FY 2017-18 the remuneration to KMP includes the provision for performance incentive, the actual disbursement of which will be linked with the Individual and Company performance as per the remuneration policy and at the discretion of the management. For the FY 2018-19, Company has not made any provision for such performance incentive.

2) In the financial year, there was an increase of 3% in the median remuneration of employees.

3) There were 218 permanent employees on the rolls of Company as on 31st March, 2019.

4) Average percentile increase made in the salaries of employees other than the managerial personnel in the financial year 2018-19 was 10%, whereas the percentile increase in the managerial remuneration for the same financial year was 6%. The increase in remuneration was in line with the performance of the Company, industrial standards and individual employee's performance.

5) It is hereby affirmed that the remuneration paid during the year 2018-19 is as per the Remuneration Policy of the Company.

6) None of the employees is in receipt of remuneration in excess of the limit laid down under Rule 5(2) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014.

**Annexure - 2**

## FORM NO. AOC -1

Statement containing salient features of the financial statement of Subsidiaries/associate companies/joint ventures (Pursuant to first proviso to sub-section (3) of Section 129 read with Rule 5 of Companies (Accounts) Rules, 2014)

### Part "A": Subsidiaries

(Information in respect of each subsidiary to be presented with amounts in ₹ in Lakhs)

| | | | |
|---|---|---|---|
| 1 | Name of the subsidiary | : | Shipnext Solutions (P) Ltd |
| 2 | Reporting period for the subsidiary concerned, if different from the holding company's reporting period | : | NA |
| 3 | Reporting currency and Exchange rate as on the last date of the relevant financial year in the case of foreign subsidiaries. | : | ₹ In lakhs |
| 4 | Share capital | : | 26.21 |
| 5 | Reserves & surplus | : | (-) 61.37 |
| 6 | Total assets | : | 30.08 |
| 7 | Total Liabilities | : | 30.08 |
| 8 | Investments | : | Nil |
| 9 | Turnover | : | Nil |
| 10 | Profit before taxation | : | (-) 14.01 |
| 11 | Provision for taxation | : | (-) 0.25 |
| 12 | Profit after taxation | : | (-)13.76 |
| 13 | Proposed Dividend | : | Nil |
| 14 | % of shareholding | : | 55% |
| | Names of subsidiaries which are yet to commence operations | : | NA |
| | Names of subsidiaries which have been liquidated or sold during the year | | NA |

### Part "B":

### Associates and Joint Ventures

| | | |
|---|---|---|
| Statement pursuant to Section 129 (3) of the Companies Act, 2013 related to Associate Companies and Joint Ventures | : | NIL |

For and on behalf of the Board

| | | | |
|---|---|---|---|
| Ernakulam<br>27/05/2019 | Navas M Meeran<br>Chairman<br>DIN: 00128692 | Mohamed Sherif Shah<br>Chief Financial Officer | Baiju T<br>Company Secretary |

**Annexure - 3**

## FORM NO. AOC-2

(Pursuant to *Clause (h) of Sub-Section (3) of Section 134 of the Act and* Rule 8(2) of the Companies (Accounts) Rules, 2014)

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 arm's length transactions under third proviso thereto.

### Details of contracts or arrangements or transactions not at arm's length basis: Nil

| | | | |
|---|---|---|---|
| (a) | Name(s) of the related party and nature of relationship | : | NA |
| (b) | Nature of contracts/arrangements/transactions | : | NA |
| (c) | Duration of the contracts / arrangements/transactions | : | NA |
| (d) | Salient terms of the contracts or arrangements or transactions including the value, if any | : | NA |
| (e) | Justification for entering into such contracts or arrangements or transactions | : | NA |
| (f) | Date(s) of approval by the Board | : | NA |
| (g) | Amount paid as advances, if any: | : | NA |
| (h) | Date on which the special resolution was passed in general meeting as required under first proviso to Section 188 | : | NA |

### Details of material contracts or arrangement or transactions at arm's length basis:

| | | | | |
|---|---|---|---|---|
| (a) | Name(s) of the related party | Eastern Condiments (P) Ltd | Eastea Chai (P) Ltd | Eastern Retreads (P) Ltd |
| | Nature of relationship | Two Directors are interested | Two Directors are interested | Two Directors are interested |
| (b) | Nature of contracts/ arrangements/ transactions | By agreement | By agreement | By agreement |
| (c) | Duration of the contracts / arrangements/ transactions | 01/04/2018 to 31/03/2020 | 01/04/2018 to 31/03/2019 | 01/04/2014 to 31/03/2019 |
| (d) | Salient terms of the contracts or arrangements or transactions<br><br>Value, if any: (₹ in lakhs) | Sharing of Expenses and Lease Rent<br>10.28 | Purchase and Lease Rent<br>1.07 | Sharing of Expenses, Sale of Goods<br>322.98 |
| (e) | Date(s) of approval by the Board, if any: | 30/04/2018 | 14/02/2018 | 28/04/2014 |
| (f) | Amount paid as advances, if any: (₹ in lakhs) | Nil | Nil | Nil |

| | | | | | |
|---|---|---|---|---|---|
| (a) | Vazhakkulam Rubbers | Soya Rubbers (P) Ltd | Rosekhan Industries | Sahara Treads | Shipnext Solutions (P) Ltd |
| | Three Directors are interested | One Director is interested | One Director is interested | One Director is interested | Subsidiary |
| (b) | By agreement | By agreement | By agreement | By agreement | By agreement |
| (c) | 01/04/2018 to 31/03/2019 | 01/04/2018 to 31/03/2019 | 01/04/2017 to 31/03/2018 | 01/04/2018 to 31/03/2019 | 12/11/2018 to 31/03/2019 |
| (d) | Sales & Purchase of Goods, and Job works<br>81.36 | Security Services<br>8.82 | Job work Charges<br>3.72 | Lease Rentals, Security Deposit and Job work Charges<br>5.39 | Investment & Loan<br>29.37 |
| (e) | 30/04/2018 | 30/04/2018 | 30/04/2018 | 30/04/2018 | 09/11/2018 |
| (f) | Nil | Nil | Nil | Nil | Nil |

For and on behalf of the Board of Directors

Kochi
27/05/2018

Navas M Meeran
Chairman
DIN: 00128692

Annexure – 4

## CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO

As per Section 134(3) (m) of the Companies Act, 2013 read with Rule 8 of the Companies (Accounts) Rules, 2014

### A. Conservation of Energy

| | |
|---|---|
| (i). Steps taken or impact on conservation of energy | The company has given top priority for efficient utilization of all kinds of energy sources for continual effort for conservation of energy. With focused improvements in operational techniques, maintenance and distribution systems, we have reduced the energy utilization. Increased the outflow of products by minimizing all kinds of process wastages. |
| (ii). Steps taken by the Company for utilising alternate sources of energy | Company has replaced the fluorescent tubes with LED Lights in all possible locations in the factory. The Company continue using fire wood as the fuel for thermic fluid heater saving fossil fuels. However, the Company couldn't utilize any alternate sources of energy in its operations. |
| (iii). Capital investment on energy conservation equipment. | Most of the projects related to energy conservation were done without much capital investment. |

### B. Technology Absorption

As a part of innovative R&D activities, the Company has established both cost effective as well as high performance products for enhancing customer satisfaction. The R&D department is further working on new compounds and processing methodologies to meet both national as well as international requirements at optimum costs.

The Company would undertake appropriate R&D activities depending up on the future requirements too. The Company use latest technology and operates at international standards. No technology has been imported by the Company during the period.

### C. Foreign exchange earnings and Outgo

The Foreign Exchange inflows and outgo during the year are as follows:-

| **Particulars** | (₹ in Lakhs) |
|---|---|
| Foreign exchange inflows | 230.13 |
| Foreign exchange outgo | 315.42 |

Annexure - 5

## Form No. MR-3
## SECRETARIAL AUDIT REPORT

For the financial year ended 31st March 2019

[Pursuant to section 204(1) of the Companies Act, 2013 and rule No.9 of the Companies (Appointment and Remuneration Personnel) Rules, 2014]

To
The Members
EASTERN TREADS LIMITED
CIN: L25119KL1993PLC007213.

We, BVR & Associates Company Secretaries LLP, have conducted the secretarial audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by Eastern Treads Limited [CIN: L25119KL1993PLC007213] (hereinafter called the Company). The Secretarial Audit was conducted in a manner that provided us a reasonable basis for evaluating the corporate conducts/statutory compliances and expressing our opinion thereon.

Based on our verification of Eastern Treads Limited's books, papers, minutes book, forms and returns filed and other records produced to us and according to the information and explanations given to us by the Company, we hereby report that in our opinion, the Company has, during the audit period covering the financial year ended on 31/03/2019 complied with the provisions of the Companies Act, 2013 (Act) and the Rules made there under, the Memorandum and Articles of Association of the Company and also applicable provisions of the aforesaid laws, standards, guidelines, agreements, etc.

We have examined the books, papers, minute books, forms and returns filed and other records maintained by Eastern Treads Limited ("the Company") for the financial year ended on 31/03/2019 according to the provisions of:

1. The Companies Act, 2013 and the Rules made there under.
2. The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the Rules made there under.
3. The Depositories Act, 1996 and the Regulations and Bye-laws framed there under.
4. Foreign Exchange Management Act, 1999 and the applicable rules and regulations made there under.
5. The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act').
   a) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011.
   b) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992 & 2015.
   c) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009.
   d) The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008. Annexure
   e) The Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.
   f) The Securities and Exchange Board of India (Depositories And Participants) Regulations, 1996
   g) The Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999.
   h) The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993
   i) The Securities and Exchange Board of India (Buyback of Securities) Regulations, 1998

6. The Listing Agreement has been entered into by the Company with Bombay Stock Exchange.

7. As informed to us the following other Laws specifically applicable to the Company as under:

    1) The Factories Act, 1948.
    2) The Competition Act, 2002.
    3) The Kerala Panchayat Raj Act, 1994.
    4) Sexual Harassment of Women at the Work Place (Prevention, Prohibition and Redressal) Act, 2013.
    5) The Petroleum Act, 1934
    6) The Rubber Act 1947

We have also examined compliance with the applicable clauses of the following:

1) Secretarial Standards issued by The Institute of Company Secretaries of India.

    During the period under review the company has complied with the provisions of the Act, Rules, Regulations, Guidelines, Standards, etc. mentioned above subject to the observations noted against each legislation.

    In respect of other laws specifically applicable to the Company, we have relied on information/ records produced by the Company during the course of our audit and the reporting is limited to that extent.

We report that, during the year under review:

1) The status of the Company during the financial year has been that of a Listed Public Company.

2) The Company has not been a subsidiary of another company whereas company has a subsidiary company, invested during the financial year. The Company has invested into the Equity Share Capital (55%) of Shipnext Solutions Private Limited .The Company is a Listed Public Company.

3) The Board of Directors of the Company is duly constituted with proper balance of Executive Directors, Non-Executive Directors and Woman Director. Adequate notice is given to all directors to schedule the Board Meetings, and agenda and detailed notes on agenda are sent at least seven days in advance, a system exists for seeking and obtaining further information and clarifications on the agenda items before the meetings and for meaningful participation at the meetings. Majority decision is carried through while the dissenting members' views are captured and recorded as part of the minutes.

4) The Directors have complied with the disclosure requirements in respect of their eligibility of appointment, their being independent and compliance with the code of Business Conduct & Ethics for Directors and Management Personnel.

5) The Directors have complied with the requirements as to disclosure of interests and concerns in contracts and arrangements, shareholdings/debenture holdings and directorships in other companies and interests in other entities.

6) The Company has not advanced loans, given guarantees and provided securities to directors and/or persons or firms or companies in which directors were interested.

7) The Company has made loans and investments to its subsidiary Company or provided securities. The Company given guarantees to other business entities during the previous financial year and the same was withdrawn during the financial year, and the Company has complied with the provisions of the Companies Act, 2013 and any other statutes as may be applicable.

8) The amount borrowed by the Company from its directors, members, bank(s)/ financial institution(s) and others were within the borrowing limits of the Company. Such borrowings were made by the Company in compliance with applicable laws.

9) The Company has not defaulted in the repayment of unsecured loans, facilities granted by bank(s)/financial institution(s) or non-banking financial companies. The Company has not issued Debentures / collected Public Deposits.

10) The Company has created /modified or satisfied charges on the assets of the Company and complied with the applicable provisions of Companies Act 2013 and other Laws.

11) All registrations under the various States and Local Laws as applicable to the Company are valid.

12) The Company has not issued and allotted the securities during the period under scrutiny.

13) The Company has not declared and paid dividends to its shareholders during the period under scrutiny

14) The Company has not issued debentures and not accepted fixed deposits.

15) The Company has paid all its statutory dues and satisfactory arrangements have been made for arrears of any such dues.

16) The Company being a listed entity has complied with the provisions of the Listing Agreement and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

17) The Company has provided a list of statutes in addition to the laws as mentioned above and it has been observed that there are proper systems in place to ensure compliance of all laws applicable to the company.

We further report that:

1. The Company has followed the Secretarial Standards issued by the Institute of Company Secretaries of India.

2. The Company has complied with the provisions of Equity listing Agreements and the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 entered into with Bombay Stock Exchange.

3. The Company has complied with the provisions of the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011.

4. The Company has complied with the provisions of the Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992 and 2015 including the provisions with regard to disclosures and maintenance of records required under the Regulations.

5. The provisions of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009 are not applicable for the company during the period under scrutiny.

6. The Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 with regard to grant of Stock Options and implementation of the Schemes are not applicable for the company during the period under scrutiny.

7. The provisions of Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008 are not applicable for the company during the period under scrutiny.

8. The Company has complied with the provisions of the Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993.

9. The provisions of the Securities and Exchange Board of India (Buyback of Securities) Regulations, 1998 with regard to buy back of Equity Shares are not applicable for the Company during the period under scrutiny.

10. The Company has complied with the provisions of the Securities and Exchange Board of India (Depositories and Participants) Regulations, 1996 including the provisions with regard to disclosures and maintenance of records required under the Regulations;

11. The Company had complied with the provisions of The Competition Act, 2002 with regard to prohibition of anti-competitive agreements, abuse of dominance and ensuring of competition advocacy. As per the verification, the Company is ensuring fair competition in the market among its competitors.

We further report that:

The compliance with regard to the following Acts is pointed out below:

1. The Factories Act, 1948

   a. Factory license valid as on the report date, till 31st December 2019.

   b. Statutory registers as per Factories Act has been maintained.

2. The Competition Act 2002

   Overall Compliance under the Act complied by the Company.

3. The Kerala Panchayat Raj Act 1994.

   a) The Panchayati Raj License is valid up to 31/03/2020.

   b) The License to Dangerous and Offensive Trades is valid up to 31/03/2020 and the Company has complied with the provisions of this Act.

4. Sexual Harassment of Women at the Work Place (Prevention, Prohibition and Redressal) Act, 2013

   a. The Company has a Policy and has constituted a committee against the Sexual Harassment of Women at Work Place and the policy has been published in the website of the company.

   b. As per the information and records available from the Company there were no complaints during the financial year in this regard and the Company ensures protection to the women employees.

5. The Petroleum Act, 1934

   a. Overall Compliance under the Act complied by the Company.

   b. The Company has obtained a valid license from the Petroleum & explosives safety organization and the license is valid up to 31/12/2019

6. The Rubber Act 1947

   a. Overall Compliance under the Act complied by the Company.

   b. The License from Rubber Board for acquisition and sale is valid till 31/03/2023 .

7. The Company has obtained integrated consent to operate license from Kerala State Pollution Control Board and the same is valid up to 30/06/2023.

We further report that there are adequate systems and processes in the Company commensurate with the size and operations of the Company to monitor and ensure compliance with applicable laws, rules, regulations and guidelines.

FOR BVR & ASSOCIATES COMPANY SECRETARIES LLP

CS N BALASUBRAMANIAN
Designated Partner,
FCS No. F6439
C P No.: 4996

Ernakulam
27/05/2019

**'ANNEXURE'**

To
The Members
EASTERN TREADS LIMITED

Our report of even date is to be read along with this letter.

1. Maintenance of Secretarial records is the responsibility of the management of the Company. Our responsibility is to express an opinion on these secretarial records based on our audit.

2. We have followed the audit practices and process as were appropriate to obtain reasonable assurance about the correctness of the contents of the Secretarial records.

3. The verification was done on test basis to ensure that correct facts are reflected in Secretarial records. We believe that the process and practices, we followed provide a reasonable basis for our opinion.

4. We have not verified the correctness and appropriateness of financial records and Books of Account of the Company.

5. Wherever required, we have obtained the Management representation about the Compliance of Laws, Rules and Regulations and happening of events etc.

6. The Compliance of the provisions of Corporate and other applicable Laws, Rules, Regulations, standards is the responsibility of management. Our examination was limited to the verification of procedure on test basis.

7. The Secretarial Audit report is neither an assurance as to the future viability of the Company nor of the efficacy or effectiveness with which the management has conducted the affairs of the Company.

For BVR & Associates Company Secretaries LLP

CS N BALASUBRAMANIAN
Designated Partner,
FCS No. F6439
C P No.: 4996

Ernakulam
27/05/2019

**Annexure - 6**

**FORM NO: MGT 9**
**EXTRACT OF ANNUAL RETURN**
As on the financial year ended on 31/03/2019

*[Pursuant to Section 92(3) of Companies Act, 2013 and Rule 12(1) of the Companies (Management and Administration) Rules, 2014]*

1) **Registration and other Details:**

| | | | |
|---|---|---|---|
| 1 | CIN | : | L25119KL1993PLC007213 |
| 2 | Registration Date | : | 02 July 1993 |
| 3 | Name of the Company | : | EASTERN TREADS LIMITED |
| 4 | Category / Sub-Category of the Company | : | Public Company / Company having Share Capital |
| 5 | Address of the Registered office and contact details | : | 3A, 3rd Floor, Eastern Corporate Office, 34/137 E, NH Bye-pass, Edappally, Kochi-682024, Ph: 0484 3001100, Fax: 3001110, Email: treads@eastern.in, www.easterntreads.com |
| 6 | Whether listed Company | : | Yes |
| 7 | Registrar and Transfer Agency | : | Integrated Registry Management Services Private Limited 2nd Floor, Kences Towers, No:1, Ramakrishna Street, North Usman Road, T. Nagar, Chennai- 600017 corpserv@integratedindia.in |

2) **Principal Business Activities of the Company**

All the business activities contributing 10% or more of the total turnover of the Company shall be stated:-

| Sl. No | Name and Description of main products / services | NIC Code Product/ service | % to total turnover of the Company |
|---|---|---|---|
| 1 | Tread Rubber | 2211 | 82% |

3) **Particulars of Holding, Subsidiary and Associate Companies**

| Sl. No | Name and Address of the Company | CIN/GLN | Holding/Subsidiary/ Associate | % of shares held | Applicable Section |
|---|---|---|---|---|---|
| 1 | Shipnext Solutions Private Limited | U72900KL2015PTC039195 | Subsidiary | 55% | 2(87) |

4) **Share Holding Pattern (Equity Share Capital Breakup as percentage of Total Equity)**

**(i) Category-wise Share Holding**

| Category of Shareholders | No. of Shares held at the beginning of the year | | | | No. of Shares held at the end of the year | | | | % Change |
|---|---|---|---|---|---|---|---|---|---|
| | Demat | Physical | Total | % of Total Share | Demat | Physical | Total | % of Total Share | |
| A. Promoters | | | | | | | | | |
| (1) Indian | | | | | | | | | |
| a) Individual | 2803500 | --- | 2803500 | 53.584 | 2806000 | --- | 2806000 | 53.632 | 0.048 |
| b) Bodies Corp. | 615000 | --- | 615000 | 11.755 | 615000 | --- | 615000 | 11.755 | --- |
| Sub-total (A)(1) | 3418500 | -- | 3418500 | 65.339 | 3421000 | --- | 3421000 | 65.387 | 0.048 |

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| (2) Foreign | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Sub-total (A)(2) | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Total shareholding of Promoter (A)=(A)(1)+(A)(2) | 3418500 | --- | 3418500 | 65.339 | 3421000 | --- | 3421000 | 65.387 | 0.048 |
| B. Public Shareholding | | | | | | | | | |
| 1. Institutions | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Sub -total (B) (1) | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 2.Non-Institutions, a) Body Crop. | | | | | | | | | |
| i) Indian | 141865 | 68900 | 209765 | 4.009 | 161393 | 68600 | 229993 | 4.396 | 0.368 |
| ii) Overseas | --- | 50000 | 50000 | 0.956 | --- | 50000 | 50000 | 0.956 | --- |
| b) Individuals | | | | | | | | | |
| i) Individual shareholders holding nominal share capital up to ₹ 1 lakh | 470211 | 543700 | 1013911 | 19.379 | 487515 | 503000 | 990515 | 18.932 | -0.447 |
| ii) Individual Shareholder holding nominal share capital exceeding ₹1 lakh | 467997 | 23600 | 491597 | 9.396 | 486704 | 23600 | 510304 | 9.754 | 0.358 |
| c) Others (specify) | 47227 | --- | 47227 | 0.902 | 30188 | --- | 30188 | 0.577 | -0.326 |
| Sub -total (B) (2) | 1127300 | 686200 | 1813500 | 34.661 | 1165800 | 645200 | 1811000 | 34.614 | -0.048 |
| Total public shareholding (B) =(B)(1)+ (B) (2) | 1127300 | 686200 | 1813500 | 34.661 | 1165800 | 645200 | 1811000 | 34.613 | -0.048 |
| C. Shares held by custodian for GDR & ADR | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Grand Total (A+B+C) | 4545800 | 686200 | 5232000 | 100.00 | 4586800 | 645200 | 5232000 | 100.00 | --- |

### (ii) Shareholding of Promoters

| Shareholder's Name | Shareholding at beginning of the year | | | Shareholding at the end of the year | | | % change in shareholding during the year |
|---|---|---|---|---|---|---|---|
| | No. of Shares | % of total shares of the Company | % of shares pledge/ encumbered to total shares | No. of Shares | % of total shares of the Company | % of shares pledge/ encumbered to total shares | |
| 1 Feroz Meeran | 1350550 | 25.813 | --- | 1350550 | 25.813 | --- | --- |
| 2 Navas Meeran | 1321750 | 25.263 | --- | 1322250 | 25.272 | --- | 0.009 |
| 3 Kerala State Industrial Development Corp. | 615000 | 11.755 | --- | 615000 | 11.755 | --- | --- |
| 4 Mohamed M E | 8500 | 0.162 | --- | 10500 | 0.201 | --- | 0.039 |
| 5 Nabeesa Meeran | 34000 | 0.650 | --- | 34000 | 0.650 | --- | --- |
| 6 Soyamol Anwar Sajith | 40000 | 0.765 | --- | 40000 | 0.765 | --- | --- |
| 7 Niza Zakir | 48700 | 0.931 | --- | 48700 | 0.931 | --- | --- |
| **Total** | 3418500 | 65.339 | --- | 3421000 | 65.387 | --- | 0.048 |

### (iii) Change in promoter's Shareholding (please specify, if there is no change)

| Promoters | Shareholding | | Cumulative Shareholding | |
|---|---|---|---|---|
| | No. of Shares | % of total shares | No. of Shares | % of total shares |
| 1 **Feroz Meeran** | | | | |
| At the beginning of the year | 1350550 | 25.813 | 1350550 | 25.813 |
| At the end of the year | 1350550 | 25.813 | 1350550 | 25.813 |
| 2 **Navas Meeran** | | | | |
| At the beginning of the year | 1321750 | 25.263 | 1321750 | 25.263 |
| Transfer/Purchase (12/06/18) | 500 | 0.009 | 1322250 | 25.272 |
| At the end of the year | 1322250 | 25.272 | 1322250 | 25.272 |

| | | | | | |
|---|---|---|---|---|---|
| 3 | **Kerala State Industrial Development Corp. Ltd** | | | | |
| | At the beginning of the year | 615000 | 11.755 | 615000 | 11.755 |
| | At the end of the year | 615000 | 11.755 | 615000 | 11.755 |
| 4 | **Mohamed M E** | | | | |
| | At the beginning of the year | 8500 | 0.162 | 8500 | 0.162 |
| | Transfer/Purchase (17/12/18) | 1000 | 0.019 | 9500 | 0.182 |
| | Transfer/Purchase (14/01/19) | 1000 | 0.019 | 10500 | 0.201 |
| | At the end of the year | 10500 | 0.201 | 10500 | 0.201 |
| 5 | **Nabeesa Meeran** | | | | |
| | At the beginning of the year | 34000 | 0.650 | 34000 | 0.650 |
| | At the end of the year | 34000 | 0.650 | 34000 | 0.650 |
| 6 | **Soyamol Anwar Sajith** | | | | |
| | At the beginning of the year | 40000 | 0.765 | 40000 | 0.765 |
| | At the end of the year | 40000 | 0.765 | 40000 | 0.765 |
| 7 | **Niza Zakir** | | | | |
| | At the beginning of the year | 48700 | 0.931 | 48700 | 0.931 |
| | At the end of the year | 48700 | 0.931 | 48700 | 0.931 |

**(iv) Shareholding Pattern of top ten Shareholders** (Other than Directors, Promoters and Holders of GDRs and ADRs)

| | For Each of the Top 10 Shareholders | Shareholding | | Cumulative Shareholding | |
|---|---|---|---|---|---|
| | | No. of Shares | % of total shares | No. of Shares | % of total shares |
| 1 | **Biju Job** | | | | |
| | At the beginning of the year | 177780 | 3.098 | 177780 | 3.398 |
| | Transfer/Sale (07/09/18) | 5000 | -0.096 | 172780 | 3.302 |
| | Transfer/Sale (14/12/18) | 1000 | -0.019 | 171780 | 3.283 |
| | Transfer/Sale (11/01/19) | 1000 | -0.019 | 170780 | 3.264 |
| | At the end of the year | 170780 | 3.264 | 170780 | 3.264 |
| 2 | **Equity Intelligence India Private Limited** | | | | |
| | At the beginning of the year | 100000 | 1.911 | 100000 | 1.911 |
| | At the end of the year | 100000 | 1.911 | 100000 | 1.911 |
| 3 | **Thomas George Muthoot.** | | | | |
| | At the beginning of the year | 60811 | 1.162 | 60811 | 1.162 |
| | At the end of the year | 60811 | 1.162 | 60811 | 1.162 |
| 4 | **White Label Enterprises Ltd** | | | | |
| | At the beginning of the year | 50000 | 0.956 | 50000 | 0.956 |
| | At the end of the year | 50000 | 0.956 | 50000 | 0.956 |
| 5 | **Ritu Garg** | | | | |
| | At the beginning of the year | 50000 | 0.956 | 50000 | 0.956 |
| | Transfer/Purchase (20/04/18) | 912 | 0.017 | 50912 | 0.973 |
| | Transfer/Purchase (27/04/18) | 1035 | 0.020 | 51947 | 0.993 |
| | Transfer/Purchase (04/05/18) | 192 | 0.004 | 52139 | 0.997 |
| | Transfer/Purchase (11/05/18) | 20 | 0.000 | 52159 | 0.997 |
| | Transfer/Purchase (01/06/18) | 51 | 0.001 | 52210 | 0.998 |
| | Transfer/Purchase (08/06/18) | 20 | 0.000 | 52230 | 0.998 |
| | Transfer/Purchase (06/07/18) | 770 | 0.015 | 53000 | 1.013 |
| | Transfer/Purchase (27/07/18) | 50 | 0.001 | 53050 | 1.014 |
| | At the end of the year | 53050 | 1.014 | 53050 | 1.014 |
| 6 | **Foresight Finl Svcs Ltd A/C Pms** | | | | |
| | At the beginning of the year | 49300 | 0.942 | 49300 | 0.942 |
| | At the end of the year | 49300 | 0.942 | 49300 | 0.942 |

| | | | | | |
|---|---|---|---|---|---|
| 7 | **Manishkumar Sumatilal Mehta** | | | | |
| | At the beginning of the year | 34610 | 0.662 | 34610 | 0.662 |
| | Transfer/Sale (11/05/18) | -199 | -0.004 | 34411 | 0.658 |
| | Transfer/Purchase (18/05/18) | 49 | 0.001 | 34460 | 0.659 |
| | Transfer/Sale (15/06/18) | -465 | -0.009 | 33995 | 0.650 |
| | At the end of the year | 33995 | 0.650 | 33995 | 0.650 |
| 8 | **Jasila Ajit Moopan** | | | | |
| | At the beginning of the year | 30000 | 0.573 | 30000 | 0.573 |
| | At the end of the year | 30000 | 0.573 | 30000 | 0.573 |
| 9 | **Adesh Enterprises LLP** | | | | |
| | At the beginning of the year | 29659 | 0.567 | 29659 | 0.567 |
| | At the end of the year | 29659 | 0.567 | 29659 | 0.567 |
| 10 | **Aleema Aliyar** | | | | |
| | At the beginning of the year | 25200 | 0.482 | 25200 | 0.482 |
| | At the end of the year | 25200 | 0.482 | 25200 | 0.482 |
| 11 | **Litty Thomas** | | | | |
| | At the beginning of the year | 22000 | 0.420 | 22000 | 0.420 |
| | Transfer/Purchase (06/04/18) | 13500 | 0.258 | 35500 | 0.679 |
| | At the end of the year | 35500 | 0.679 | 35500 | 0.679 |

### (v) Shareholding of Directors and Key Managerial Personnel

| Sl No | For Each of the Directors & KMP | Shareholding | | Cumulative Shareholding | |
|---|---|---|---|---|---|
| | | No. of Shares | % of total shares of the Company | No. of Shares | % of total shares of the Company |
| **1** | **Navas M Meeran** (Chairman) | | | | |
| | At the beginning of the year | 1321750 | 25.263 | 1321750 | 25.263 |
| | Transfer/Purchase (12/06/18) | 500 | 0.009 | 1322250 | 25.272 |
| | At the end of the year | 1322250 | 25.272 | 1322250 | 25.272 |
| **2** | **M.E. Mohamed** (Managing Director) | | | | |
| | At the beginning of the year | 8500 | 0.162 | 8500 | 0.162 |
| | Transfer/Purchase (17/12/18) | 1000 | 0.019 | 9500 | 0.182 |
| | Transfer/Purchase (14/01/19) | 1000 | 0.019 | 10500 | 0.201 |
| | At the end of the year | 10500 | 0.201 | 10500 | 0.201 |
| **3** | **M.S. Ranganathan** (Director) | | | | |
| | At the beginning of the year | --- | --- | --- | --- |
| | At the end of the year | --- | --- | --- | --- |
| **4** | **Naiju Joseph** (Director) | | | | |
| | At the beginning of the year | 3100 | 0.059 | 3100 | 0.059 |
| | At the end of the year | 3100 | 0.059 | 3100 | 0.059 |
| **5** | **K.S. Neelakanta Iyer** (Director) | | | | |
| | At the beginning of the year | --- | --- | --- | --- |
| | At the end of the year | --- | --- | --- | --- |
| **6** | **K.V. Rajagopalan Nair** (Director) | | | | |
| | At the beginning of the year | --- | --- | --- | --- |
| | At the end of the year | --- | --- | --- | --- |
| **7** | **Shereen Navaz** (Director) | | | | |
| | At the beginning of the year | --- | --- | --- | --- |
| | At the end of the year | --- | --- | --- | --- |
| **8** | **Rajesh Jacob** * | | | | |
| | At the beginning of the year | --- | --- | --- | --- |
| | At the end of the year | --- | --- | --- | --- |

| | | | | |
|---|---|---|---|---|
| **9** **Rani Joseph** *<br>At the beginning of the year<br>At the end of the year | <br>---<br>--- | <br>---<br>--- | <br>---<br>--- | <br>---<br>--- |
| **8** **Baiju T.** (Company Secretary)<br>At the beginning of the year<br>At the end of the year | <br>1000<br>1000 | <br>0.019<br>0.019 | <br>1000<br>1000 | <br>0.019<br>0.019 |
| **9** **Rajesh S.** (CEO) *<br>At the beginning of the year<br>Transfer/Sale (28/12/18)<br>At the end of the year | <br>312<br>-250<br>62 | <br>0.006<br>0.005<br>0.001 | <br>312<br>62<br>62 | <br>0.006<br>0.001<br>0.001 |
| **10** **Mohammed Sherif Shah** (CFO) **<br>At the beginning of the year<br>At the end of the year | <br>5634<br>5634 | <br>0.108<br>0.108 | <br>5634<br>5634 | <br>0.108<br>0.108 |

**Rajesh S resigned from the office of CEO with effect from 11/11/18. Mr. Rajesh Jacob appointed as director on 09/11/2018 and Mrs. Rani Joseph appointed as director on 09/05/2019*

*** As Joint Shareholder*

5) **Indebtedness-** Indebtedness of the Company including interest outstanding/accrued but not due for payment

(₹ in Lakhs)

| For the financial year 2018-19 | Secured Loans Excluding Deposits | Unsecured Loans | Deposits | Total Indebtedness |
|---|---|---|---|---|
| **Indebtedness at the beginning** | | | | |
| i) Principal Amount | 1968 | 25 | --- | 1993 |
| ii) Interest due but not paid | --- | --- | --- | --- |
| iii) Interest accrued but not due | --- | --- | --- | --- |
| **Total (i+ii+iii)** | 1968 | 25 | --- | 1993 |
| **Change in Indebtedness during year** | | | | |
| Addition | 392 | --- | --- | 392 |
| Reduction | 173 | 25 | --- | 198 |
| **Net Change** | 219 | 25 | --- | 194 |
| **Indebtedness at the end** | | | | |
| i) Principal Amount | 2187 | --- | --- | 2187 |
| ii) Interest due but not paid | --- | --- | --- | --- |
| iii) Interest accrued but not due | --- | --- | --- | --- |
| **Total (i+ii+iii)** | 2187 | --- | --- | 2187 |

## 6) Remuneration of Directors and Key Managerial Personnel

### A. Remuneration to Managing Director, Whole-time Directors and/or Manager:

| Sl No. | Particulars of Remuneration | Name of MD/ WTD/ Manager<br>Mr. M.E Mohamed (Managing Director) | Total Amount |
|---|---|---|---|
| 1 | Gross salary | --- | --- |
| | (a) Salary as per provisions contained in Section 17(1) of the Income-tax Act,1961 | | |
| | (b) Value of perquisites u/s17(2) Income-tax Act,1961 | --- | --- |
| | (c) Profits in lieu of salary under Section 17(3) Income-tax Act, 1961 | --- | --- |
| 2 | Stock Option | --- | --- |
| 3 | Sweat Equity | --- | --- |
| 4 | Commission - as % of profit, and Others | --- | --- |
| 5 | Others, please specify | --- | --- |
| | Total (A) | --- | --- |
| | Ceiling as per the Act | --- | --- |

**Annexure – 7**

## CORPORATE GOVERNANCE REPORT

Your Company is generally complying with the requirements of the Corporate Governance practices. Pursuant to the Listing Agreement read with Regulation 15(2) of the SEBI (LODR) Regulations 2015, the requirement of compliance with the corporate governance provisions as specified in regulations 17 to 27 and clauses (b) to (i) of Regulation 46(2) and para C, D and E of Schedule V is not mandatory to the Company. However, as a good Corporate Governance practice a report on the implementation of the Corporate Governance provisions by your Company is furnished below:-

### Company's Philosophy on Corporate Governance

The Company is a part of the Eastern Group which has established a reputation for honesty and integrity. While focusing on Corporate Governance, we practice the highest standards of ethical and responsible business culture and thereby enhance the value of all stakeholders. It is a combination of voluntary practices and compliance with laws and regulations in all areas of its operations and in its interactions with the stakeholders. It provides direction and control to the affairs of the Company.

Your Company is fully committed to practice sound Corporate Governance and uphold the highest business standards in conducting business. The Company has always worked towards building trust with all its stakeholders based on the principles of good corporate governance. Your Company is guided by a key set of values for all its internal and external interactions. The Company is open, accessible and consistent with its communication.

### Board of Directors

The Board is made up of one Executive Director and Seven Non-executive Directors that includes Woman Directors and Independent Directors. The Chairman of the Board is a Non-executive Director. The Composition, category and attendance of each Director at the Board and Annual General Meeting and Number of other Directorship and Chairmanship / Membership of Committee of each Director in various companies is as follows:-

| Name of the Director | Category | Attendance Particulars | | No. of other Directorships | | Committee membership | |
|---|---|---|---|---|---|---|---|
| | | Board Meetings | Last AGM | Director# | Chairman | Member | Chairman |
| Mr. Navas M Meeran | P, C & NE | 5 | Yes | 14 | 2 | None | None |
| Mr. M.E. Mohamed | MD & ED | 6 | Yes | 4 | None | None | None |
| Mrs. Shereen Navaz | P&NE | 4 | No | 6 | None | None | None |
| Mr. M.S. Ranganathan | NE & I | 6 | Yes | 1 | None | None | None |
| Mr. K.S. Neelakanta Iyer | NE & I | 6 | Yes | 1 | None | None | None |
| Mr. Naiju Joseph | NE | 6 | Yes | 1 | None | None | None |
| Mr. K.V. Rajagopalan Nair | NE & N | 2 | No | 1 | None | None | None |
| Mr. Rajesh Jacob | NE & N | 1 | NA | 4 | None | None | None |
| Mrs. Rani Joseph | NE & I | NA | NA | 2 | None | None | None |

*C: Chairman; P: Promoter/promoter group; E: Executive Director; N: Nominee Director (Nominee of KSIDC)*
*I: Independent Director; NE: Non-Executive Director; MD: Managing Director;*
*# Includes directorships in Public and Private Ltd companies.*

**Annexure – 7**

## CORPORATE GOVERNANCE REPORT

Your Company is generally complying with the requirements of the Corporate Governance practices. Pursuant to the Listing Agreement read with Regulation 15(2) of the SEBI (LODR) Regulations 2015, the requirement of compliance with the corporate governance provisions as specified in regulations 17 to 27 and clauses (b) to (i) of Regulation 46(2) and para C, D and E of Schedule V is not mandatory to the Company. However, as a good Corporate Governance practice a report on the implementation of the Corporate Governance provisions by your Company is furnished below:-

### Company's Philosophy on Corporate Governance

The Company is a part of the Eastern Group which has established a reputation for honesty and integrity. While focusing on Corporate Governance, we practice the highest standards of ethical and responsible business culture and thereby enhance the value of all stakeholders. It is a combination of voluntary practices and compliance with laws and regulations in all areas of its operations and in its interactions with the stakeholders. It provides direction and control to the affairs of the Company.

Your Company is fully committed to practice sound Corporate Governance and uphold the highest business standards in conducting business. The Company has always worked towards building trust with all its stakeholders based on the principles of good corporate governance. Your Company is guided by a key set of values for all its internal and external interactions. The Company is open, accessible and consistent with its communication.

### Board of Directors

The Board is made up of one Executive Director and Seven Non-executive Directors that includes Woman Directors and Independent Directors. The Chairman of the Board is a Non-executive Director. The Composition, category and attendance of each Director at the Board and Annual General Meeting and Number of other Directorship and Chairmanship / Membership of Committee of each Director in various companies is as follows:-

| Name of the Director | Category | Attendance Particulars | | No. of other Directorships | | Committee membership | |
|---|---|---|---|---|---|---|---|
| | | Board Meetings | Last AGM | Director# | Chairman | Member | Chairman |
| Mr. Navas M Meeran | P, C & NE | 5 | Yes | 14 | 2 | None | None |
| Mr. M.E. Mohamed | MD & ED | 6 | Yes | 4 | None | None | None |
| Mrs. Shereen Navaz | P&NE | 4 | No | 6 | None | None | None |
| Mr. M.S. Ranganathan | NE & I | 6 | Yes | 1 | None | None | None |
| Mr. K.S. Neelakanta Iyer | NE & I | 6 | Yes | 1 | None | None | None |
| Mr. Naiju Joseph | NE | 6 | Yes | 1 | None | None | None |
| Mr. K.V. Rajagopalan Nair | NE & N | 2 | No | 1 | None | None | None |
| Mr. Rajesh Jacob | NE & N | 1 | NA | 4 | None | None | None |
| Mrs. Rani Joseph | NE & I | NA | NA | 2 | None | None | None |

*C: Chairman; P: Promoter/promoter group; E: Executive Director; N: Nominee Director (Nominee of KSIDC)*
*I: Independent Director; NE: Non-Executive Director; MD: Managing Director;*
*# Includes directorships in Public and Private Ltd companies.*

Mrs. Shereen Navaz, wife of Mr. Navas M Meeran, Chairman occupy the position of woman director in the Board. No other director of the Company is relative of any other director of the Company. Mr. Navas M Meeran, Chairman hold 80% (720000 shares of ₹100 each), zero coupon redeemable preference shares of the Company. Regarding the details of number of shares held by non-executive directors please refer the Extract of Annual Return, annexed with the Directors report. None of the Directors of the Company holds any convertible instruments in the Company. Mr. K.V Rajagopalan Nair, Nominee Director vacated from the office of director of the company w.e.f. 13/09/2018. Mr. Rajesh Jacob appointed as director on 09/11/2018 and Mrs. Rani Joseph appointed as director on 09/05/2019. None of the above directors is holding directorship in other listed companies.

Knowledge in the industry in which the Company operates, its business, policies and culture, attributes and competencies to use their knowledge and skills, Strategic thinking and decision making, Financial skills, Technical or Professional skills and knowledge to direct the business of the Company are the core skills/ expertise/ competencies identified by the Board of Directors as required in the context of its business and sector(s) for it to function effectively and those actually available with the Board. The information about the director as required to be provided pursuant to the Listing Agreement read with SEBI (LODR) Regulations, 2015 are furnished in the notice to Annual General Meeting.

### Number and date of Board meetings held

Four Board meetings were held during the year. The Board meets at least once in a quarter with a gap of not more than one hundred and twenty days between any two meetings. The details of the Board meetings are as under.

| Sl. No. | Date | Board Strength | Directors present | Sl.No. | Date | Board Strength | Directors present |
|---|---|---|---|---|---|---|---|
| 1 | 30 April 2018 | 7 | 6 | 2 | 13 August 2018 | 7 | 6 |
| ** | 05 May 2018 | 7 | 6 | 3 | 09 November 2018 | 6 | 6 |
| ** | 10 May 2018 | 7 | 6 | 4 | 14 February 2019 | 7 | 7 |

** adjourned meetings

### Independent Directors

The Company has complied with provisions of Listing Agreement read with SEBI (LODR) Regulations 2015 and the Provisions of Section 149(6) Companies Act, 2013 with respect to the appointment of Independent Directors. As the initial period of office of Independent Directors expired on 31st March, 2019 Mr. K.S. Neelacanta Iyer and Mr. M.S. Ranganathan have vacated the office of Independent Directors with effect from 01/04/2019. At the Board meeting held on 9th May 2019 the Board appointed them as additional directors in the category of Independent directors and in the intermittent vacancy of Independent directors. Further, Mrs. Rani Joseph, was appointed as an Additional Director in the category of Independent director. The Board recommend their appointment as independent Directors for a term of 5 years with effect from 9th May, 2019 to 8th May 2024, subject the approval of shareholders. The Company has also obtained declarations from all the Independent Directors pursuant to Section 149(7) of the Companies Act, 2013.

Appropriate orientation sessions were given to Directors to get involvement on Company's culture, organization structure, business, constitution, board procedures and risks and management strategy of the Company. The familiarisation programmes imparted to independent directors is disclosed in the Company's website: www.easterntreads.com. The appointment letters of Independent Directors has been placed on the Company's website. The Board evaluated the performance of Non-executive and Independent Directors. All the Directors are eminent personalities having wide experience in the field of business, industry and administration. Their presence on the Board is advantageous and fruitful in taking business decisions.

The Independent Directors held a meeting on 25th March, 2019, without the attendance of Non-Independent Directors and members of Management. All Independent Directors were present at the meeting and they have reviewed the performance of non-independent directors and the Board, performance of the Chairman and information flow structure of the Company.

### Audit Committee

The Audit Committee is duly constituted in accordance with the Listing Agreement read with SEBI (LODR) Regulations 2015 and of Section 177 of the Companies Act, 2013 read with Rule 6 of the Companies (Meetings of the Board and its Powers) Rules, 2014. It adheres to the terms of reference, prepared in compliance with Section 177 of the Companies Act, 2013, and SEBI (LODR) Regulations 2015. The Members of the Committee are:-

| Name | Category | Position |
|---|---|---|
| Mr. K.S. Neelakanta Iyer | Non-Executive Independent Director | Chairman |
| Mr. M.S. Ranganathan | Non-Executive Independent Director | Member |
| Mr. M.E. Mohamed | Managing Director | Member |

Two third of the members are Independent Directors and all the members are financially literate. The composition, role, functions and powers of the Audit Committee are in line with the requirements of applicable laws and regulations. The Audit Committee shall oversee financial reporting process and disclosures, review financial statements, internal audit reports, related party transactions, financial and risk management policies, auditors qualifications, compliance with Accounting Standards etc. and oversee compliance with Stock Exchanges and legal requirements concerning financial statements and fixation of audit fee as well as payment for other services etc.

Four Audit Committee meetings were held during the year 2018-19 at the Registered Office of the Company on 30 April 2018 (adjourned meetings on 05 May 2018 and 10 May 2018), 13 August 2018, 09 November 2018 and 14 February 2019. All the meetings were attended by the Chairman and all the members of the Committee, representatives of Internal and Statutory Auditors, Chief Financial Officer and Chief Executive Officer. The Company Secretary acts as Secretary to the Audit Committee and no personnel has been denied access to the audit committee. Since Mr. K.S. Neelakanta Iyer, Chairman of the Audit Committee could not attend the Annual General Meeting held on 20/07/18 due to health issues he authorised Mr. M.S. Ranganathan, Member of Audit committee to answer shareholder queries and exercise any right, powers and duties of Audit Committee Chairman on his behalf.

### Nomination and Remuneration Committee

The Nomination and Remuneration Committee is constituted in compliance with the requirements of Listing Agreement read with SEBI (LODR) Regulations 2015 and Section 178 of the Companies Act, 2013 read with Rule 6 of the Companies (Meetings of the Board and its Powers) Rules, 2014. The Company Secretary acts as the Secretary to the Committee and the Committee Members are:

| Name | Category | Position |
|---|---|---|
| Mr. M.S. Ranganathan | Non-Executive Independent Director | Chairman |
| Mr. K.S. Neelakanta Iyer | Non-Executive Independent Director | Member |
| Mr. Naiju Joseph | Non-Executive Director | Member |

The Committee formulates criteria for determining qualifications, positive attributes and independence of a director and recommends to the Board the policy relating to the remuneration for the Directors, Key Managerial Personnel and other employees and evaluation of Independent Directors and the Board. It identifies persons who are qualified to become directors and who may be appointed in senior management in accordance with the criteria laid down, and recommend to the Board their appointment and removal and carry out evaluation of every director's performance. The Nomination and Remuneration Committee held meetings on 9$^{th}$ November 2018 and 30$^{th}$ March 2019 and all the committee members were present at the meeting. The Chairman of the committee was present at the Company's Annual General Meeting held on 20$^{th}$ July 2018 to answer the shareholders' queries.

### Remuneration Policy

The remuneration policy is in consonance with the existing industry practice and also with the provisions of the Companies Act, 2013. The Board of Directors has adopted a Remuneration Policy for Directors, Key Managerial Personnel and other employees. The Company's remuneration policy is driven by the success and performance of the individual employee and the performance of the Company. Through its compensation programme, the Company endeavors to attract, retain, develop and motivate a high performance workforce. The said policy is available on the website of the company, www.easterntreads.com.

The details of remuneration/sitting fee paid to Directors during the financial year are given in the Extract of Annual Return. There is no other pecuniary relationship or transactions between the Company and the non-executive directors. Even though the terms of appointment of Mr. M.E. Mohamed as the Managing Director include the payment of remuneration, he has waived his right to remuneration. Hence, no remuneration has been paid to Managing Director during the financial year.

### Share Transfer Committee

The Share Transfer Committee was constituted on 25 June 1996 in compliance with the requirements of Listing Agreement. The Company Secretary acts as the Secretary to the Committee and the Compliance Officer. The members of the Committee are:

| Name | Category | Position |
|---|---|---|
| Mr. Navas M Meeran | Promoter / Non-Executive Director | Chairman |
| Mr. M.E. Mohamed | Managing Director / Executive Director | Member |
| Mr. M.S Ranganathan | Non-Executive Independent Director | Member |

Share Transfer Committee meetings were held in every month to approve the transfer of shares, to issue duplicate share certificates and review matters connected with the transfer of shares.

### Stakeholders Relationship Committee

The Stakeholders Relationship Committee was constituted in compliance with the requirements of the Listing Agreement and Section 178 of the Companies Act, 2013. CS Baiju T. Company Secretary is the Compliance officer, who acts as the Secretary to the Committee and the Members of the Committee are:

| Name | Category | Position |
|---|---|---|
| Mr. Naiju Joseph | Non-Executive Director | Chairman |
| Mr. M.S. Ranganathan | Non-Executive Independent Director | Member |
| Mr. K.S. Neelakanta Iyer | Non-Executive Independent Director | Member |

The Stakeholders Relationship Committee looks into shareholders' complaints relates to transfer of shares, non-receipts of balance sheet besides complaints from SEBI, Stock Exchanges, Court and various Investor Forums. It oversees the performance of the Registrars and Transfer Agent, and recommends measures for overall improvement in the quality of investor services. The Company is in compliance with the SCORES, which has initiated by SEBI for processing the investor complaints in a centralized web based redress system and online redressal of all the shareholders complaints. No complaints from the shareholders were received during the financial year and there were no outstanding complaints as on 31 March 2019.

### Risk Management Committee

The Risk Management Committee was constituted in compliance with the requirements of the Listing Agreement. The Company Secretary acts as the Secretary to the Committee and the members of the Committee are:-

| Name | Category | Position |
|---|---|---|
| Mr. M.S. Ranganathan | Non-Executive Independent Director | Chairman |
| Mr. M.E. Mohamed | Managing Director / Executive Director | Member |
| Mrs. Rani Joseph ** | Non-Executive Independent Director | Member |

***With effect from 9th May 2019.*

The Risk Management Committee reviewed the risk management plan of the Company and its status of its implementation. The risk management plans and procedure implemented by the Company in its operation are adequate with respect to the operational risks in the business of the Company.

### General Body Meetings

The location and time for last three Annual General Meetings are as follows:-

| Year | Venue | Date | Day | Time | Special Resolution passed |
|---|---|---|---|---|---|
| 17-18 | Hotel TGR Suites, Ernakulam | 20/07/2018 | Friday | 3.30 PM | No |
| 16-17 | Holiday Inn Cochin, Ernakulam | 06/07/2017 | Thursday | 3.00 PM | No |
| 15-16 | Gokulam Park Hotel & Convention Centre, Ernakulam | 04/06/2016 | Saturday | 3.00 PM | No |

No Extraordinary General Meeting was held during the financial year and no special resolutions were put through postal ballot last year and at present no proposal to pass any special resolution through postal ballot.

### Financial Calendar (*Tentative*)

| | | |
|---|---|---|
| Annual General Meeting | : | 30 July 2019 |
| 1st, 2nd and 3rd Quarterly Financial Results | : | Within 45 days of the end of each quarter |
| Audited yearly results for the year ended 31 March 2020 | : | Within 60 days of the end of the financial year |

### Means of Communication

The quarterly financial results, after their approval by the Board of Directors, are promptly issued to the Stock Exchange (BSE). These Quarterly Financial Results are normally published in "Business Line", "Deepika" and are also posted on the Company's website: www.easterntreads.com. The Company's website also displays all official news releases, if any and the presentations made to institutional investors or to the analysts. All material information about the Company is promptly sent to the Stock Exchanges.

| Annual General Meeting | Book Closure Date |
|---|---|
| Date and Time : 30/07/2019 at 3.00 P.M<br>Venue : Hotel TGR Suites, Edappally<br>Ernakulam – 682024, Kerala | Wednesday, 24th July 2019 to Tuesday, 30th July 2019<br>(both days inclusive) |

### Related party transactions

During the year, the Company had not entered into any transaction of a material nature with any of the related parties which may have potential conflict with the interest of the Company. The transactions of purchase/sale of finished goods, raw materials and job work with related parties have been made in the ordinary course of business and at arm's length. The Register of Contracts containing transactions, in which Directors are interested, is placed before the board regularly. Full disclosures of related party transactions are given in notes to the Financial Statements as well as in Form AOC-2 in Annexure – 3 of this report. Policy on dealing with related party transactions are available on the Company's website: www.easterntreads.com

### Compliance by the Company

The Company has complied with the requirements of the Stock Exchanges, SEBI and other statutory authorities on all matters relating to capital markets. No penalties or strictures imposed on the Company by Stock Exchanges or SEBI and other Statutory Authorities on matters related to capital markets during the last three years. The Board quarterly reviews the compliance report on applicable laws to the Company as well as steps taken by the Company to rectify the instances of non-compliance, if any.

### Code of Conduct

The Board approved and adopted the Code of Conduct including Code of Conduct for Prevention of Insider Trading and Whistle Blower Policy as applicable to the Board Members and the Senior Management Personnel of the Company. The Code has been posted on the website of the Company. All Board Members and Senior Management Personnel have affirmed compliance with the Code and a declaration to this effect signed by the Managing Director is annexed to this report.

### Listing on Stock Exchange

The equity shares of the Company are listed on the Bombay Stock Exchange Ltd (BSE). The Company has paid the annual listing fees for the year 2019-20 to Bombay Stock Exchange and the annual custodial fee to National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) will be paid within due dates.

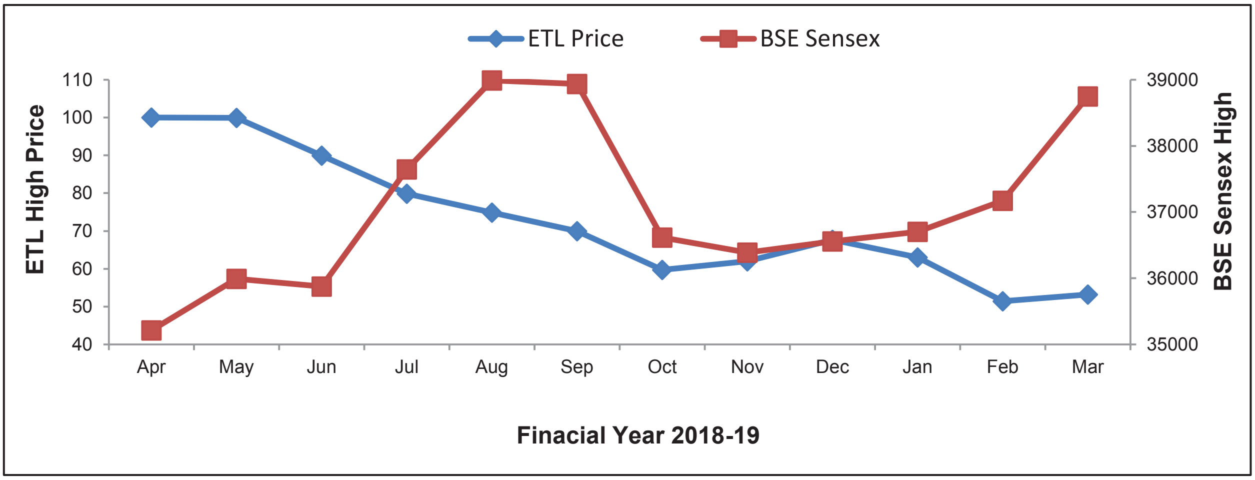
| Stock Code & Demat ISIN Number | Registrar and Share Transfer Agent |
|---|---|
| Scrip Code No. : 531346<br>Trading Symbol : EASTRED<br>Demat ISIN Number : INE500D01015 | Integrated Registry Management Services (P) Ltd<br>2nd Floor, 'Kences Towers', No.1, Ramakrishna Street,<br>North Usman Road, T.Nagar, Chennai-600017<br>Phone: 044 28140801, 28140803,<br>Fax; 044 – 28143378, 28142479<br>E-mail: corpserv@integratedindia.in |

### Market Price Data: High, Low during Each Month in Last Financial Year

Amount in ₹

| Month | BSE | |
|---|---|---|
| | High Price | Low Price |
| April, 2018 | 100.00 | 79.00 |
| May, 2018 | 99.90 | 77.30 |
| June, 2018 | 89.90 | 70.55 |
| July, 2018 | 79.90 | 56.05 |
| August, 2018 | 74.90 | 53.95 |
| September, 2018 | 69.95 | 47.00 |
| October, 2018 | 59.70 | 35.00 |
| November, 2018 | 62.00 | 43.25 |
| December, 2018 | 67.70 | 43.00 |
| January, 2019 | 63.00 | 45.25 |
| February, 2019 | 51.40 | 38.15 |
| March, 2019 | 53.20 | 40.75 |

### Performance in Comparison to Broad-based Indices such as BSE Sensex




### Share Transfer System

The Board has delegated the authority for approving transfer, transmission, etc. of the Company's securities to the Share Transfer Committee of the Board of Directors constituted for this purpose. A summary of transfer / transmission of the securities of the Company so approved by the Share Transfer Committee have placed at every Board meeting. As per directives issued by SEBI, it is compulsory to trade in the Company's equity shares in dematerialised form.

The physical share transfers were processed and the share certificates returned within a period of 15 days from the date of receipt, subject to the documents being valid and complete in all respects and confirmation is given to NSDL and CDSL. No request for share transfer was pending as on 31/03/2019. Shares held in dematerialized form are electronically traded and the Registrars and Share Transfer Agent of the Company periodically receive from the Depository, the beneficiary holdings so as to enable them to update their records. Company obtained half yearly certificate in compliance with the share transfer formalities as required under Regulation 40(9) of the SEBI (LODR) Regulations 2015 from a Company Secretary in practice and submitted the certificate with the Stock Exchanges within the prescribed time limit.

### Distribution of Shareholding as on 31/03/2019

| Category | No. of shareholders | % of shareholders | No. of shares holding | % Shares |
|---|---|---|---|---|
| **Equity** | | | | |
| Up to 500 | 1650 | 78.05 | 321668 | 6.15 |
| 501 – 1000 | 275 | 13.01 | 235749 | 4.51 |
| 1001 – 2000 | 76 | 3.60 | 117870 | 2.25 |
| 2001 – 3000 | 43 | 2.03 | 110797 | 2.12 |
| 3001 – 4000 | 14 | 0.66 | 49761 | 0.95 |
| 4001 – 5000 | 15 | 0.71 | 69732 | 1.33 |
| 5001 – 10000 | 15 | 0.71 | 130528 | 2.49 |
| Above 10000 | 26 | 1.23 | 4195895 | 80.20 |
| Total | 2114 | 100.00 | 5232000 | 100.00 |
| **Preference** | | | | |
| Above 10000 | 2 | 100.00 | 900000 | 100.00 |
| Total | 2 | 100.00 | 900000 | 100.00 |

## Shareholding Pattern as on 31/03/2019

| Category | Equity | | | | Preference | | |
|---|---|---|---|---|---|---|---|
| | No. of holders | % | No. of shares | % | No. of holders | No of shares | % |
| Promoters | 8 | 0.38 | 3421000 | 65.39 | 2 | 900000 | 100 |
| Body Corporate | 28 | 1.32 | 229993 | 4.40 | -- | --- | --- |
| NRI / OCB | 53 | 2.51 | 91701 | 1.75 | -- | --- | --- |
| Public | 2018 | 95.46 | 1459118 | 27.89 | -- | --- | --- |
| Others (Clearing Member) | 6 | 0.28 | 529 | 0.01 | -- | --- | --- |
| Others (LLP) | 1 | 0.05 | 29659 | 0.57 | -- | --- | --- |
| **Total :** | **2114** | **100.00** | **5232000** | **100.00** | **2** | **900000** | **100** |

## Dematerialization of Shares and Liquidity

As on 31st March 2019, 87.67% of the Company's total paid up equity capital representing 4586800 equity shares as in dematerialised form. The balance 12.33% equity representing 645200 shares are held in physical form.

## Convertible Instruments

Outstanding GDRs, ADRs, Warrants, Convertible instruments, conversion date and likely impact on equity are not applicable.

## Commodity price risk or foreign exchange risk

Commodity prices of Natural Rubber will affect the company due to its disparity in demand and supply, weather conditions, market expectations etc. which will affect the price fluctuations. The Company manages these price fluctuations by actively managing the sourcing, private purchases. With continuous monitoring and market intelligence the purchase department take appropriate strategy to deal with the market volatility. The export and import operations of the Company is exposed to foreign exchange risk which can impact on the profitability. Presently the Company has not executed foreign currency hedging to manage this risk.

## Plant Location

1. Oonnukal P.O, Kothamangalam, Ernakulam District, Kerala
2. Vannapuram, Thodupuzha, Idukki, Kerala

## Credit Rating

The credit ratings obtained by the Company during financial year 2018-19 from CRISIL are as follows:

| | | |
|---|---|---|
| Total Bank Loan Facilities rated | : | ₹ 255 Lakhs |
| Long term ratings | : | CRISIL BB/Stable (Reaffirmed) |
| Short term ratings | : | CRISIL A4+ (Reaffirmed) |

### Investor Education and Protection Fund

Pursuant to Section 124 of the Companies Act 2013, the amount of dividends that remain unclaimed/unpaid for a period of seven years from the date on which they were declared, and such shares in respect of which dividend has not been paid or claimed for seven consecutive years or more shall be transferred by the Company in the name of Investor Education and Protection Fund. No dividend amount or share is required to be transferred to Investor Education and Protection Fund during the year. The details of unclaimed dividends are available on the Company's website, www.easterntreads.com. The information relating to outstanding dividend accounts and the dates when due for transfer to IEPF are as follows:

| Financial year ended | Date of declaration of dividend | Last date for claiming Unpaid | Dividend Transfer to IEPF |
|---|---|---|---|
| 31/03/2015 | 28/07/2015 | 02/09/2022 | October 2022 |
| 31/03/2016 | 19/01/2016 | 24/02/2023 | March 2023 |
| 31/03/2016 | 04/06/2016 | 10/07/2023 | August 2023 |
| 31/03/2017 | 06/07/2017 | 11/08/2024 | September 2024 |

### Investor Correspondence

For share transfer, communication regarding share certificates, change of address and any other query relating to the shares or Annual Report of the Company, the members may contact in the following addresses:-

| | |
|---|---|
| Integrated Registry Management Services (P) Ltd<br>2nd Floor, 'Kences Towers'<br>No.1, Ramakrishna Street, North Usman Road,<br>T. Nagar, Chennai-600017<br>Phone: 044 28140801, 28140803,<br>Fax; 044 – 28143378, 28142479<br>E-mail: yuvraj@integratedindia.in | The Company Secretary<br>Eastern Treads Limited,<br>3A, 3rd Floor, Eastern Corporate Office, 34/137 E,<br>NH Bypass, Edappally, Kochi,<br>Ernakulam-682 024, Kerala.<br>Phone: 0484 3001247, Fax: 0484 3001110<br>Email : baijut@eastern.in |

### Demat Suspense Account/ Unclaimed Suspense Account

The Company does not have any shares in the demat suspense account or unclaimed suspense account.

### Secretarial Certifications

As stipulated by SEBI, a qualified Company Secretary in practice conducts the Audit for the purpose of reconciliation of total admitted capital with the National Securities Depository Ltd (NSDL) and Central Depository Services (India) Ltd (CDSL) and the total issued and listed capital of the Company.

The Audit is carried out every quarter and the report thereon is submitted to the Stock Exchanges and is also placed before the Board of Directors. The audit, inter-alia, confirms that the total listed and paid up capital of the Company is in agreement with the aggregate of the total number of shares in dematerialised form (held with NSDL and CDSL) and total number of shares in physical form.

## CERTIFICATE BY COMPANY SECRETARY IN PRACTICE

In pursuance of Schedule V Para C Clause (10)(i) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, it is hereby certified that none of the Directors on the Board have been debarred or disqualified from continuing as a Director of company(ies) by the Securities and Exchange Board of India, the Ministry of Corporate Affairs, the Reserve Bank of India or such statutory authorities as on March 31, 2019.

For Satheesh and Remesh
Company Secretaries

Kochi
27/05/2019

N. Satheesh Kumar
Partner
Company Secretary in Practice
C P No.6607

## DECLARATION ON CODE OF CONDUCT

To the best of my knowledge and belief and on the basis of declarations given to me by the Directors and the Senior Management Personnel of the Company, I hereby affirm that a Code of Conduct for the Board Members and the Senior Management Personnel of the Company which includes Code of Conduct for Prevention of Insider Trading and Whistle Blower Policy has been approved by the Board of Directors and all Directors and the Senior Management Personnel have fully complied with the provisions of the Code of Conduct of the Company.

For and on behalf of the Board of Directors

Kochi
27/05/2019

M.E. Mohamed
Managing Director
Din: 00129005

Annexure - 8

## MANAGEMENT DISCUSSION AND ANALYSIS

### Industry Structure and Developments

FY 2018-19 saw the normalisations and stabilisation of the disrupted supply chain efficiencies which had been caused by introduction of GST. Indian economy is expected to grow at 7.2 per cent in 2018-19, a tad higher from 6.7 per cent in the previous fiscal, mainly due to improvement in the performance of agriculture and manufacturing sectors. The growth of the manufacturing sector is expected to accelerate to 8.3 per cent this fiscal, up from 5.7 per cent in 2017-18. India moved up by 23 places in the World Bank's Ease of Doing Business Index 2018 and got 77$^{th}$ rank. According to Department for Promotion of Industry and Internal Trade (DPIIT), the total FDI investments in India April-December 2018 stood at US$ 33.49 billion and as of February 2019, the Government of India is working on a road map to achieve its goal of US$ 100 billion worth of FDI inflows. The Make in India campaign launched by the Government of India in September 2014 permitted 100% FDI in 25 sectors of the economy. Despite the uncertainties in global scenario such as trade war between different countries, rising oil prices, India continued to remain on its strong growth trajectory.

Infrastructure sector is of profound importance in the Indian economy. The sector is highly responsible for propelling India's overall development and enjoys intense focus from Government for initiating policies that would ensure time-bound creation of world class infrastructure in the country. Infrastructure as a sector is also crucial for employment generation. India has the largest road network of 5.5 million km in the world. In India sales of automobiles and movement of freight by roads is growing at a rapid rate. The construction of highways reached 9,829 km during FY18 which was constructed at an average of 26.93 km per day. The Government of India has set a target for construction of 10,000 km national highway in FY19. The Government, through a series of initiatives, is working on policies to attract significant investor interest. A total of 200,000 km national highways are expected to be completed by 2022. Eastern Treads Limited (ETL), operating in the emerging tyre retreading industry, is well placed to capitalise on this opportunity as it allows expansion in road freight volumes and demand for the Company's products.

India is likely to get normal southwest monsoon in 2019, as per Skymet. A normal monsoon will augur well for the country's agriculture sector and boost crop yields thus providing an impetus to the rural economy. Government spending will support near-term growth and also give more thrust to the rural economy. The announcement in Interim Budget 2019-20 on direct cash transfer programme for farmers and the tax relief measures will contribute a fiscal stimulus of about 0.45 per cent of GDP. Recently RBI has also cut its Repo rate to 6.25%. Further in February 2019, the Government provided additional capital infusions to public sector banks. This combined with the application of the Prompt Corrective Action framework, through the Insolvency and Bankruptcy Code, are helping to address solvency and asset quality challenges. All these measures will support growth through consumption over the near term.

2018 was a watershed year for the economy with introduction of GST as one of the major reforms. However this statutory reform came as a positive welcome as it brought about more consolidation in the unorganised retreaded Indian market. With the recent slash in the GST rates on retreaded tyres from 28% to 18%, ETL expects benefit from this trend and, in addition, is also engaging with unorganized players to integrate them with its nationwide network.

With Kerala battling its worst floods in nearly 100 years, tyre and related manufacturers having exposure to the State have been among those who have been hit hard. Despite this challenging environment, we exhibited resilience and continued to deliver a steady performance. During the year we also continued our growth momentum with expansions across our sales channels. We have recently entered into strategic contracts with Maharashtra State Road Transport Corporation, West Bengal Transport Corporation and Gujarat State Road Transport Corporation to supply Tyre retreading materials. This augurs well for us as it will drive increased utilisation of the production facilities which will be conducive to deliver strong volumes.

Exports are also seeing an accelerated performance with increased sales from South America, Africa and Nepal. During the year, we have also made an equity investment of 55% in Shipnext Solutions Private Limited, a company engaged in managing fleet management aggregation in IT platform.

The Global Tyre and Retreading industry has been witnessing a shift in the manufacturing activity, with Asia carving a much larger piece of the pie. Almost 60% of the global units are located in Asia. India represents the fourth largest market for tyres in the world after China, Europe and the United States. The Indian Tyre and Retreading Industry is an integral part of the Auto Sector. It contributes greater than 3% of the manufacturing GDP of India and ~0.5% of the total GDP directly.

As rubber and crude oil prices are key variable to tyre company's profitability, Indian tyre and tyre retreading industry has been under raw material pressure for last two years due to volatility in rubber and crude oil prices. The Indian tyre and retreading industry could have a 7-9% growth over the next five year on account of growing domestic automotive industry as per ICRA. Radialisation of T&B & LCV tyres has improved over last two years and is expected to improve further as commercial vehicle OEMs have started using radials which will also help the organized retreading industry.

The tyre and related industry in the country has witnessed large capacity additions in the last decade. Going forward, this industry is expected to see significant capacity expansion in the upcoming two to three years as all major players in the industry have announced their plans. As per ICRA, tyre exports have been steadily increasing in the last one year with recovery in tyre demand from overseas markets and rising competitiveness of Indian tyre makers, both in terms of quality and pricing. The passenger vehicle and commercial vehicle sales are also expected to grow with an increasing vehicle penetration due to improvement of per capita income in the country, which will leads to increased demand for retreading in tyre replacement market.

Despite contending with a combination of headwinds such as revised axel norms and NBFC crisis, climatic issues like floods, poor festive demand, and high fuel and insurance costs, the overall commercial vehicle sales showed a healthy growth in domestic market. During the year the CV segment also crossed one million sales mark.

The retreading industry in India has a good future especially post the GST implementation. Better roads, improving infrastructure network, increased economic activity along with increased used of radial tyres by commercial vehicles are harbingers of further encouraging growth of this industry and ETL is in an upbeat position to capitalise on this opportunity. ETL aims to be the leading retreading player in India. We have taken steps to integrate production and enhance efficiencies – we have recently equipped for production of conventional tread rubber and bonding gum to our own facility. The Company targets growth from several segments, including higher share of open market sales, expansion of branded franchisee network, road transport corporation business and opening up lucrative export markets.

## Opportunities and Threats

The past has seen many changes in the Tyre and tyre retreading Industry, such as demonetisation, GST, antidumping duty on Chinese tyres, radialisation etc. which have helped consolidate the market along with improvement in the country's economic scenario. The recent reduction in GST rates from 28 per cent to 18 per cent on retreaded tyres bodes well for the organised players. Quality and safety preferences are already moving customers to industry leaders and ETL stands to benefit from this. India has the largest road network of 5.5 million km in the world and carries over 60% of all goods and 85% passenger traffic in the country. National Highways Authority of India (NHAI) plans to expand the national highway network by 84,000 kms, investing approx. ₹ 700,000 crore.

The Indian Commercial vehicle (CV) industry is often referred to as the backbone of the country's economy. In India, 2018 had started at a high note on the back of excitement around Auto Expo 2018 and new launches. But the euphoria eventually faded away in the latter part of the year due to uneven monsoon, Kerala floods, high fuel and insurance costs. In the period between June and October, the prices of petrol and diesel notched up by 14 per cent and 17 per cent respectively. This further led to weak festive season sales which ended early November with Diwali which led to muted consumer sentiments.

India has experienced more radialisation of tyres in recent times, including in the truck tyre segment which is on the rise and likely to reach 50% in the next couple of years. Radial tyres have 20% longer life, provide better riding comfort and can be successfully retreaded multiple times compared to bias-ply tyres. Retreading these tyres requires a greater degree of sophistication, which is a positive for organized players like ETL. Thus, expansion of radial tyre usage will have a positive impact on the overall market, and also on the company's performance. In recent times retreaded tyres have come into heavy competition due to low-quality imports from countries like China where truck tyres are sold for less than the raw material costs. To mitigate these risks, we at ETL continue to undertake various initiatives to increase plant efficiency, lower production costs and eventually drive sales up.

Branded tyre majors have also entered the retreading industry. This has led to higher competition and at the same time improved awareness about retreading and its benefits, helping grow the overall market. ETL is the pioneer in manufacturing and marketing of tread rubber used for retreading tyres. The company has developed several distinct strengths such as a robust brand image, best-in-class services capability and a wide portfolio of products. ETL is the proud winner of numerous awards and accolades which are a testament of its capabilities. Given these attributes, we are confident of maintaining a strong position in the market.

### Segment-wise or product-wise performance

The Company manufactures quality tread rubber, Rubber compounds, cushion/bonding gum and black vulcanizing cement. The contribution of these products to the current year's turnover is 82%, 1%, 8% and 8% respectively.

### Outlook

The retreading industry is gaining prominence in the domestic market whereas it is an established business in key global markets. Improving road network, increased economic activity, higher radialisation and implementation of GST are all positives for long term growth of the sector. Also monetary advantages and environmental considerations are aiding popularity of retreaded tyres, ETL aims to be the leading retreading player in India and also exports to key markets worldwide. We are at the forefront of building a comprehensive ecosystem across the entire retreading value chain, having transformed from a tread rubber manufacturer. We are on the path to build comprehensive and industry leading capabilities that would generate long term opportunities in India and globally. With an increasing distribution presence, high quality products and services, ETL is hopeful of enhancing its share of the various markets it addresses. Our main objective is to become a one-stop shop for our customers' requirements and deliver substantial economic returns to their businesses.

ETL aspires to deliver superior operational performance through value enhancement initiatives for its customers along with economies of scale that aid long-term volume growth. The manufacturing processes are supported by technically talented workforce. We have limited capex requirement for expansion over next 2-3 years, as sizeable production capacities are available currently. However, we will continue to invest in R&D initiatives for new product development to remain at the forefront of the industry.

Over the years, ETL has invested aggressively in educating and growing the market, benefits of which will be seen in the medium to long term. We have achieved pan-India presence with an extensive network across 20 Indian states and are further expanding our distribution footprint. We also have presence in overseas markets such as the Middle East, Africa, South America and South Asia, catering to higher global demand for tread rubber. All these initiatives are expected to give ETL the platform from which we can achieve success in expanding our business.

## Risks and Concerns

Risks and opportunities are inevitable and inseparable components of all businesses. The Company's Directors and management take proactive decisions to protect stakeholder interests. The Company has in place a Risk Management Policy covering risk, risk exposure, potential impact and risk mitigation process. Major risks identified by the business and functions are systematically addressed through mitigating actions on continuing basis. These are monitored and reviewed under the guidance of Audit committee and Risk Management Committee. Various departmental heads who meet regularly to identify processes exposed to risks. The Company's Risk Management Committee, periodically reviews the risks in the organization, identifies new risk areas, develops action plans and monitors and reports the compliance and effectiveness of the policy and procedure to the Audit Committee and Board.

The Company's performance primarily depends on the performance of the tyre replacement market. This market has several growth levers like growth of the economy, development of infrastructure, commercial vehicle sales and other trends relating to the transportation sector. The Company's Board of Directors perceives the following risks as current high risks areas:

### ✍ Financial Risk

In the course of our business activities, financial risks may arise from changes in interest rates, exchange rates, raw material prices, or share and fund prices and ETL is exposed to certain financial risks namely interest risk, currency risk and liquidity risk. The financial risks are managed in accordance with the risk management policy. We use cash and carry, advance payments and bank guarantees to mitigate credit risk on account of material supplied to customers and payments received. There is an ongoing follow-up which arrests any delay of payments from State Transport Corporations and other customers.

### ✍ Fluctuation in Raw Material Price and Other Input Costs

Risks can arise due to unexpected changes in commodity prices which can impact margins. We purchase a variety of raw materials and products which we use in our production. Major risks could arise from a few raw materials which we use such as Natural Rubber, Synthetic Rubber and Carbon Black. The Company manages this by actively managing the sourcing and private purchases. As we import many categories of products we are also exposed to foreign currency fluctuation which could lead to a significant fluctuation in these raw material costs.

We have actively maintained higher raw material inventories to mitigate this risk which adversely impacted working capital and put pressure on interest costs. We generally factor in normal variations of raw material prices and input costs when fixing product prices with customer but any exceptional fluctuations in input costs may have an adverse impact on profitability.

### ✍ Changes in Governments' Policies

Unanticipated changes in Government policies may affect the company's financial position.

### ✍ Operational Risk

Preventive maintenance is carried out periodically to achieve increased machine availability. Adequate inventory of stocks at each stage of operation is maintained to run production schedules uninterrupted.

### ✍ Product Risk

Research and development efforts are undertaken to continuously develop new products categories and expand the portfolio, along with improved service and value to our customers.

## Internal Control System and their Adequacy

ETL has implemented suitable controls to ensure its operational, compliance and reporting objectives are achieved. The Company has adequate policies and procedures in place for its current size as well as the future growing needs. The Company has a well-defined and structured internal control mechanism, commensurate with the size and nature of the business and complexity of its operations. Internal audit is conducted periodically to provide comprehensive risk-based combined assurance plan.

These policies and procedures play a pivotal role in the deployment of the internal controls. They are regularly reviewed to ensure both relevance and comprehensiveness, and compliance is ingrained into the management review process. ETL follows stringent procedures to ensure accuracy in financial information recording, asset safeguarding from unauthorised use, and compliance with statutes and laws. All employees adhere to high standards of ethical conduct inspired by formally stated and regularly communicated policies.

The internal control is supplemented by an extensive audit by internal and external audit teams and periodic review by the top management, Audit Committee and Board of Directors. The Audit Committee reviews the adequacy and effectiveness of the Company's internal control environment and monitors the implementation of audit recommendations. During the year, the Company has taken steps to review and document the adequacy and operating effectiveness of internal controls. Nonetheless, your Company recognises that any internal control framework, no matter how well designed, has inherent limitations and accordingly, regular audits and review processes ensure that such systems are reinforced on an ongoing basis. The statutory auditors, as part of their audit process, carry out a systems and process audit to ensure that the ERP and other IT systems used for transaction processing have adequate internal controls embedded to ensure preventive and detective controls.

During the period external agencies were appointed as internal Auditors. The internal audit reports were reviewed quarterly by Audit Committee as well as by the Board. Internal audit evaluates legal and compliance issues and supports in assessment of Internal Control Systems and identification of other important issues as a powerful tool for risk control and governance. The system is designed to adequately ensure the reliability of financial and other records for preparing financial information and other data and for maintaining accountability of our assets. Further, the Board reviews the effectiveness of the Company's internal control system.

The Directors and Management confirm that the Internal Financial Controls (IFC) are adequate with respect to the operations of the Company. The external auditors have evaluated the system of internal controls in the Company and have reported that the same is adequate and commensurate with the size of the Company and the nature of its business. A report of Auditors pursuant to Section 143(3) (i) of the Companies Act, 2013 certifying the adequacy of Internal Financial Controls is annexed with the Auditors report.

## Financial Performance and Operational Performance

Despite the disruptions faced due to Kerala floods, ETL has delivered a steady performance. The weakness in rubber prices both natural and synthetic have allowed us to retain higher margins. The gross margins for the year have remained fairly steady due to additional inventory at Kerala factory. ETL continues to undertake cost saving initiatives and is moving into more profitable areas of business, based on higher value-addition to customers. Significant financial highlights in FY2018-19 are as follows:-

- **Revenue**

  Total Revenue reported ₹9793.51 lakhs compared to the previous year's figure of ₹9561.68 lakhs. Revenues (net of indirect taxes) grew by 2.43% YoY.

- **Earnings Before interest, Tax, Depreciation and Amortisation (EBITDA)**

  During the fiscal 2018-19 EBIDTA has improved by 50.23%, ETL reported EBIDTA of ₹435.47 lakhs when compared to the previous year's figure of ₹289.88 lakhs.

- **Profit Before Tax (PBT)**

  PBT was at ₹ (-)189.18 lakhs in 2018-19, compared with previous year's ₹(-)247.71 lakhs.

- **Profit After Tax (PAT)**

  PAT stood at ₹ (-)170.77 lakhs in 2018-19 as compared to ₹(-)229.39 lakhs in 2017-18.

- **Earnings Per Share (EPS)**

  EPS in 2018-19 stood at ₹(-)3.26 per share compared to EPS of ₹(-)4.38 per share in fiscal 2017-18.

ETL is a leading provider of tyre retreading services across the entire retreading value chain. We are present across 20 states through 94 dealers servicing to 1,500 plus multi branded retreaders, 44 exclusive retreaders and 39 branded Infinity Zones. We are at the forefront of building a comprehensive ecosystem and have developed a robust distribution infrastructure to penetrate the market further and establish a pan India presence.

### Human Resource Development and Industrial Relations

ETL recognises that a committed, empowered and thinking team is the most important asset to maintain the company's progress and to retain its leadership position in the industry. Development and retention of talent, providing employees with cross functional experiences, extending enriched learning, an array of awards and recognition programmes, and supporting personal and professional aspirations are some leading HR practices being followed at the Company. Hiring of apt talent and ensuring role optimisation to improve efficiencies has been a key focus area. The Company recognizes the need for change management and talent management throughout the business and their criticality to its future growth and success as any other element of its commercial strategy.

We pursue management practices designed to enrich the quality of life of our employees, developing their potential and maximizing their productivity. Cordial and harmonious relationship is maintained between the management and employees at every location. We continue to organize various training programs with experts engaged to interact with our employees at various levels. A significant emphasis is placed on training personnel, increasing their skill levels, and fostering ongoing employee engagement and recognition with a holistic development perspective. ETL had total employee strength of 433 employees as on 31st March 2019.

### Cautionary Statement

Statements in this Annual Report, particularly those that relate to Management Discussion and Analysis, describing the Company's objectives, projections, estimates and expectations, may constitute 'forward-looking statements' within the meaning of applicable laws and regulations. Although the expectations are based on reasonable assumptions, the actual results might differ. Important factors that could influence the Company's operations include economic developments within the country, global and domestic demand and supply conditions in the industry, input prices, changes in Government regulations, tax laws and other factors such as litigation and industrial relations. The Company assumes no responsibility in respect of the forward-looking statements, which may undergo changes in future on the basis of subsequent developments, information or events.

# INDEPENDENT AUDITOR'S REPORT

## To the Members of Eastern Treads Limited

## Report on the Audit of the Standalone Financial Statements

### Opinion

1. We have audited the accompanying standalone financial statements of Eastern Treads Limited ('the Company'), which comprise the Balance Sheet as at 31 March 2019, the Statement of Profit and Loss (including Other Comprehensive Income), the Cash Flow Statement and the Statement of Changes in Equity for the year then ended, and a summary of the significant accounting policies and other explanatory information.

2. In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone financial statements give the information required by the Companies Act, 2013 ('Act') in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India including Indian Accounting Standards ('Ind AS') specified under section 133 of the Act, of the state of affairs (financial position) of the Company as at 31 March 2019, and its loss (financial performance including other comprehensive income), its cash flows and the changes in equity for the year ended on that date.

### Basis for Opinion

3. We conducted our audit in accordance with the Standards on Auditing specified under section 143(10) of the Act. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India ('ICAI') together with the ethical requirements that are relevant to our audit of the financial statements under the provisions of the Act and the rules thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key Audit Matter

4. Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the standalone financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

5. We have determined the matter described below to be the key audit matters to be communicated in our report.

| Key audit matter | How our audit addressed the key audit matter |
|---|---|
| **Provision for doubtful receivables for overdue trade receivables**<br><br>(Refer note 1.17 of the accompanying standalone financial statements for significant accounting policy and note 2.31 for credit risk disclosures)<br><br>Trade receivables comprises a significant portion of the current assets of the Company. As at 31 March 2019, the Company has reported trade receivable of ₹2,655.17 lakhs (net of provision for doubtful receivables of ₹62.13 lakhs). | Our audit work included, but was not limited to, the following procedures:<br><br>Obtained an understanding of the process adopted by the Company in estimating provisions for doubtful receivables including the key inputs and assumptions. Since assumptions and parameters are based on historical data, we assessed whether historical experience was representative of current circumstances and was relevant in view of the recent impairment losses incurred;<br><br>Assessed and tested the design and operating effectiveness of key controls over completeness and accuracy of the key inputs and assumptions considered for calculation, recording and monitoring of the impairment loss recognized. Also evaluated the controls over the process, validation of data and related approvals |

| | |
|---|---|
| These significant judgements in applying the expected credit loss ('ECL') method arises due to the nature of the customers that the Company deals with, which mainly construed the state-owned road transportation entities and various dealers/traders from the unorganized sector. Further, the payment plan varies from customer to customer, resulting in complexity in estimation of amount to be recorded expected credit loss.<br><br>Considering the materiality of the amount involved and significant degree of judgement and subjectivity involved in the estimates and assumptions used in determining the expected credit loss, we have determined this matter as a key audit matter. | For a selected sample, performed procedures to evaluate:<br>- Appropriateness of exposure at default, probability of default and loss given default in the calculation of ECL;<br>- Timely identification of exposures with a significant increase in credit risk and appropriateness of the Company's method of determining the stages; and<br>- arithmetic accuracy of ECL calculation<br><br>Tested the methodology applied in the credit loss provision calculation by comparing it to the requirements of Ind AS 109, Financial Instruments, and appropriateness and reasonableness of the assumptions related to credit loss rate including the historical bad-debts applied in their assessment of the receivables allowance.<br><br>Evaluated responses to direct confirmation request circulated to customers and ensured the reconciling items have been adequately recorded in the books of account.<br><br>Tested the documents received as security against the trade receivables and amount received subsequent to year-end on sample basis.<br><br>Assessed the appropriateness and adequacy of the related presentation and disclosures of note 2.31 "Financial risk management" disclosed in the standalone financial statements in accordance with the applicable accounting standards. |

### Information other than the Financial Statements and Auditor's Report thereon

6. The Company's Board of Directors is responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the financial statements and our auditor's report thereon. The Annual Report is expected to be made available to us after the date of this auditor's report.

   Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

   In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

   When we read the Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

### Responsibilities of Management and those Charged with Governance for the Standalone Financial Statements

7. The Company's Board of Directors is responsible for the matters stated in section 134(5) of the Act with respect to the preparation of these standalone financial statements that give a true and fair view of the state of affairs (financial position), profit or loss (financial performance including other comprehensive income), changes in equity and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Ind AS specified under section 133 of the Act. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

8. In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

9. Those Board of Directors are also responsible for overseeing the Company's financial reporting process.

### Auditor's Responsibilities for the Audit of the Financial Statements

10. Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

11. As part of an audit in accordance with Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

    Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

    Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the company has adequate internal financial controls system in place and the operating effectiveness of such controls.

    Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

    Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

    Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

12. We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

13. We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

14. From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## Report on Other Legal and Regulatory Requirements

15. The Company has not paid or provided for any managerial remuneration during the year. Accordingly, reporting under section 197(16) of the Act is not applicable.

16. As required by the Companies (Auditor's Report) Order, 2016 ('the Order') issued by the Central Government of India in terms of section 143(11) of the Act, we give in the Annexure I a statement on the matters specified in paragraphs 3 and 4 of the Order.

17. Further to our comments in Annexure I, as required by section 143(3) of the Act, we report that:

    a) we have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;

    b) in our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;

    c) the standalone financial statements dealt with by this report are in agreement with the books of account;

    d) in our opinion, the aforesaid standalone financial statements comply with Ind AS specified under section 133 of the Act;

    e) on the basis of the written representations received from the directors and taken on record by the Board of Directors, none of the directors is disqualified as on 31 March 2019 from being appointed as a director in terms of section 164(2) of the Act;

    f) we have also audited the internal financial controls over financial reporting (IFCoFR) of the Company as on 31 March 2019 in conjunction with our audit of the standalone financial statements of the Company for the year ended on that date and our report dated 27 May 2019 as per Annexure II expressed unmodified opinion; and

    g) with respect to the other matters to be included in the Auditor's Report in accordance with rule 11 of the Companies (Audit and Auditors) Rules, 2014 (as amended), in our opinion and to the best of our information and according to the explanations given to us:

        i. the Company, as detailed in note 2.30 to the standalone financial statements, has disclosed the impact of pending litigations on its financial position as at 31 March 2019;

        ii. the Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses as at 31 March 2019;

        iii. there were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company during the year ended 31 March 2019; and

        iv. the disclosure requirements relating to holdings as well as dealings in specified bank notes were applicable for the period from 8 November 2016 to 30 December 2016, which are not relevant to these standalone financial statements. Hence, reporting under this clause is not applicable.

For **Walker Chandiok & Co LLP**
Chartered Accountants
Firm's Registration No.: 001076N/N500013

**Krishnakumar Ananthasivan**
Partner
Membership No.: 206229

Place: Kochi
Date: 27 May 2019

## ANNEXURE I TO THE INDEPENDENT AUDITOR'S REPORT OF EVEN DATE TO THE MEMBERS OF EASTERN TREADS LIMITED, ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

### Annexure I

Based on the audit procedures performed for the purpose of reporting a true and fair view on the standalone financial statements of the Company and taking into consideration the information and explanations given to us and the books of account and other records examined by us in the normal course of audit, and to the best of our knowledge and belief, we report that:

(i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.

(b) The fixed assets have been physically verified by the management during the year and no discrepancies were noticed on such verification. In our opinion, the frequency of verification of the fixed assets is reasonable having regard to the size of the Company and the nature of its assets.

(c) The title deeds of all the immovable properties (which are included under the head 'Property, plant and equipment') are held in the name of the Company.

(ii) In our opinion, the management has conducted physical verification of inventory at reasonable intervals during the year and no material discrepancies between physical inventory and book records were noticed on physical verification.

(iii) The Company has granted unsecured loan to a company covered in the register maintained under Section 189 of the Act; and with respect to the same:

(a) in our opinion the terms and conditions of grant of such loans are not, prima facie, prejudicial to the Company's interest.

(b) The schedule of repayment principal and interest has been stipulated wherein the principal and interest amounts are repayable on demand and since the repayment of such loans has not been demanded, in our opinion, repayment of principal and interest amount is regular.

(c) there is no overdue amount in respect of loans granted to such Company.

(iv) In our opinion, the Company has complied with the provisions of section 185 and 186 of the Act in respect of loans.

(v) In our opinion, the Company has not accepted any deposits within the meaning of Sections 73 to 76 of the Act and the Companies (Acceptance of Deposits) Rules, 2014 (as amended). Accordingly, the provisions of clause 3(v) of the Order are not applicable.

(vi) We have broadly reviewed the books of account maintained by the Company pursuant to the Rules made by the Central Government for the maintenance of cost records under sub-section (1) of Section 148 of the Act in respect of Company's products and are of the opinion that, prima facie, the prescribed accounts and records have been made and maintained. However, we have not made a detailed examination of the cost records with a view to determine whether they are accurate or complete.

(vii) (a) Undisputed statutory dues including provident fund, employee's state insurance, income tax, duty of customs, goods and service tax, cess and other material statutory dues, as applicable, have generally been regularly deposited to the appropriate authorities, though there has been a slight delay in a few cases. Undisputed amounts payable in respect of professional tax which was outstanding at the year end for a period more than six months from the date they became payable are as follows.

| Nature of the dues | Amount (₹ in lakhs) | Period to which the amount relates | Remarks |
|---|---|---|---|
| Professional Tax | 0.90 | April 2018 to September 2018 | Payment is overdue on account of pending registration |

Annexure I to the Independent Auditor's Report of even date to the members of Eastern Treads Limited, on the standalone financial statements for the year ended 31 March 2019

(b) The dues outstanding in respect of income-tax, sales-tax, service-tax, duty of customs, duty of excise and value added tax on account of any dispute, are as follows:

Statement of Disputed Dues:

| Nature of statute | Nature of dues | Amount (in lakhs) | Amount paid under protest (in lakhs) | Period to which amount pertains to | Forum where dispute is pending |
|---|---|---|---|---|---|
| Central Sales Tax Act 1956 | Central Sales Tax | 1.76 | 1.76 | FY 2004-05 | Deputy Commissioner of Sales Tax (Appeals) |
| Central Sales Tax Act 1956 | Central Sales Tax | 7.88 | 2.78 | FY 2010-11 and 2011-12 | Deputy Commissioner of Sales Tax (Appeals) |
| Central Sales Tax Act 1956 | Central Sales Tax | 18.03 | 3.22 | FY 2012-13, 2013-14, 2014 -15, 2015-16, 2016-17 and 2017-18 | Assistant Commissioner Special Circle |
| Kerala Value Added Tax Act, 2003 | Value Added Tax | 3.80 | 1.25 | FY 2008-09, 2009-10, 2011-12, 2013-14 and 2015-16 | Deputy Commissioner of Sales Tax (Appeals) |
| Kerala Value Added Tax Act, 2003 | Value Added Tax | 2.14 | 0.43 | FY 2012-13, 2013-14 and 2014-15 | Assistant Commissioner Special Circle |
| Kerala Value Added Tax Act, 2003 | Value Added Tax | 0.66 | 0.66 | FY 2015-16 and 2016-17 | Assessing Officer of Sales Tax |
| Income-tax Act, 1961 | Income Tax | 20.97 | 0.00 | AY 2012-13 | Assessing Officer, Income Tax |

(viii) The Company has not defaulted in repayment of loans or borrowings to any financial institution or bank or government or any dues to debenture-holders during the year.

(ix) The Company did not raise moneys by way of initial public offer or further public offer (including debt instruments). In our opinion, the term loans were applied for the purposes for which the loans were obtained.

(x) No fraud by the Company or on the Company by its officers or employees has been noticed or reported during the period covered by our audit.

(xi) The Company has not paid or provided for any managerial remuneration. Accordingly, the provisions of Clause 3(xi) of the order are not applicable.

(xii) In our opinion, the Company is not a Nidhi Company. Accordingly, provisions of clause 3(xii) of the Order are not applicable.

(xiii) In our opinion all transactions with the related parties are in compliance with Sections 177 and 188 of Act, where applicable, and the requisite details have been disclosed in the standalone financial statements etc., as required by the applicable Ind AS.

(xiv) During the year, the Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures.

(xv) In our opinion, the Company has not entered into any non-cash transactions with the directors or persons connected with them covered under Section 192 of the Act.

(xvi) The Company is not required to be registered under Section 45-IA of the Reserve Bank of India Act, 1934.

For **Walker Chandiok & Co LLP**
Chartered Accountants
Firm's Registration No.: 001076N/N500013

**Krishnakumar Ananthasivan**
Partner
Membership No. 206229

Kochi
27 May 2019

## ANNEXURE II TO THE INDEPENDENT AUDITOR'S REPORT OF EVEN DATE TO THE MEMBERS OF EASTERN TREADS LIMITED ON THE STANDALONE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

### Annexure II

### Independent Auditor's Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ('the Act')

1. In conjunction with our audit of the standalone financial statements of Eastern Treads Limited ('the Company') as at and for the year ended 31 March 2019, we have audited the internal financial controls over financial reporting ('IFCoFR') of the Company as at that date.

### Management's Responsibility for Internal Financial Controls

2. The Company's Board of Directors is responsible for establishing and maintaining internal financial controls based on internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting issued by the Institute of Chartered Accountants of India. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of the Company's business, including adherence to Company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Act.

### Auditor's Responsibility

3. Our responsibility is to express an opinion on the Company's IFCoFR based on our audit. We conducted our audit in accordance with the Standards on Auditing, issued by the Institute of Chartered Accountants of India ('ICAI') and deemed to be prescribed under Section 143(10) of the Act, to the extent applicable to an audit of IFCoFR, and the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting ('the Guidance Note') issued by the ICAI. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate IFCoFR were established and maintained and if such controls operated effectively in all material respects.

4. Our audit involves performing procedures to obtain audit evidence about the adequacy of the IFCoFR and their operating effectiveness. Our audit of IFCoFR includes obtaining an understanding of IFCoFR, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

5. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company's IFCoFR.

### Meaning of Internal Financial Controls over Financial Reporting

6. A company's IFCoFR is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's IFCoFR include those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Annexure II to the Independent Auditor's Report of even date to the members of Eastern Treads Limited, on the standalone financial statements for the year ended 31 March 2019

## Inherent Limitations of Internal Financial Controls over Financial Reporting

7. Because of the inherent limitations of IFCoFR, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the IFCoFR to future periods are subject to the risk that the IFCoFR may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

## Opinion

8. In our opinion, the Company has, in all material respects, adequate internal financial controls over financial reporting and such controls were operating effectively as at 31 March 2019, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting issued by the Institute of Chartered Accountants of India.

For **Walker Chandiok & Co LLP**
Chartered Accountants
Firm's Registration No.: 001076N/N500013

**Krishnakumar Ananthasivan**
Partner
Membership No.: 206229

Place: Kochi
Date: 27 May 2019

## BALANCE SHEET AS AT 31ST MARCH 2019

(All amounts in ₹ lakhs, unless otherwise stated)

| | Note | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-Current Assets** | | | |
| (a) Property, plant and equipment | 2.1 | 1,675.35 | 1,571.52 |
| (b) Capital work in progress | 2.1 | 18.08 | 252.64 |
| (c) Intangible assets | 2.2 | 11.98 | 17.33 |
| (d) Financial assets | | | |
| (i) Investments | 2.3 | 2.59 | -- |
| (ii) Trade receivables | 2.4 | 2.49 | 5.76 |
| (iii) Loans | 2.5 | 2.00 | 1.57 |
| (iv) Other financial assets | 2.6 | 84.97 | 71.61 |
| (e) Other non-current assets | 2.7 | 32.60 | 28.28 |
| Total Non-current assets (I) | | **1,830.06** | **1,948.71** |
| **Current Assets** | | | |
| (a) Inventories | 2.8 | 860.88 | 812.83 |
| (b) Financial assets | | | |
| (i) Trade receivables | 2.4 | 2,652.68 | 2,567.17 |
| (ii) Cash and cash equivalents | 2.9 | 95.35 | 122.25 |
| (iii) Bank balances other than (ii) above | 2.10 | 21.53 | 43.85 |
| (iv) Loans | 2.5 | 28.49 | 8.14 |
| (v) Other financial assets | 2.6 | 27.38 | 4.93 |
| (c) Current tax asset (Net) | | 28.07 | 27.01 |
| (d) Other current assets | 2.7 | 18.97 | 53.85 |
| Total Current Assets (II) | | **3,733.35** | **3,640.03** |
| **Total Assets (I)+(II)** | | **5,563.41** | **5,588.74** |
| **EQUITY AND LIABILITIES** | | | |
| **Equity** | | | |
| (a) Equity share capital | 2.11 | 541.18 | 541.18 |
| (b) Other equity | 2.12 | 258.38 | 448.99 |
| Total Equity (I) | | **799.56** | **990.17** |
| **Liabilities** | | | |
| **Non-current liabilities** | | | |
| (a) Financial liabilities | | | |
| (i) Borrowings | 2.13 | 796.26 | 826.87 |
| (ii) Other financial liabilities | 2.14 | 8.25 | 8.66 |
| (b) Provisions | 2.15 | 101.38 | 69.23 |
| (c) Deferred tax liabilities (Net) | 2.16 | 131.40 | 157.46 |
| (d) Other non-current liabilities | 2.17 | 9.08 | 18.14 |
| Total Non-current liabilities (II) | | **1,046.37** | **1,080.36** |
| **Current liabilities** | | | |
| (a) Financial liabilities | | | |
| i) Borrowings | 2.13 | 1,947.03 | 1,580.32 |
| ii) Trade payables | 2.18 | | |
| A) Total outstanding dues of micro enterprises and small enterprises; and | | 64.34 | 41.33 |
| B) Total outstanding dues of creditors other than micro enterprises and small enterprises | | 1,202.12 | 1,435.66 |
| iii) Other financial liabilities | 2.14 | 393.51 | 408.08 |
| (b) Provisions | 2.15 | 7.19 | 6.33 |
| (c) Other current liabilities | 2.17 | 103.29 | 46.49 |
| Total current Liabilities (III) | | **3,717.48** | **3,518.21** |
| **Total equity and liabilities (I)+(II)+(III)** | | **5,563.41** | **5,588.74** |

See accompanying notes forming part of standalone Financial Statements.

This is the Balance Sheet referred to in our report of even date.

For **Walker Chandiok & Co LLP**
Chartered Accountants
Firm's Registration No: 001076N/N500013
**Krishnakumar Ananthasivan**
Partner
Membership No: 206229

Kochi,
27 May 2019

**For and on behalf of the Board of Directors of Eastern Treads Limited**

**Mohammed Sherif Shah**
Chief Financial Officer

**Baiju T.**
Company Secretary

**Navas M. Meeran**
Chairman
DIN: 00128692

## STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31 MARCH 2019

(All amounts in ₹ lakhs, unless otherwise stated)

| | Note | Year Ended 31 March 2019 | Year Ended 31 March 2018 |
|---|---|---|---|
| I Revenue from operations | 2.19 | 9,745.88 | 9,539.36 |
| II Other income | 2.20 | 47.63 | 22.32 |
| III **Total income (I+II)** | | **9,793.51** | **9,561.68** |
| IV Expenses | | | |
| Cost of materials consumed | 2.21 | 6,325.24 | 5,425.21 |
| Purchases of stock-in-trade | | 633.97 | 1,504.87 |
| Changes in stock of finished goods, work-in-progress and stock-in-trade | 2.22 | (83.55) | 81.43 |
| Excise duty on sales | | -- | 100.84 |
| Employee benefits expense | 2.23 | 997.91 | 848.08 |
| Finance cost | 2.24 | 361.33 | 326.92 |
| Depreciation and amortisation expense | 2.25 | 263.32 | 210.67 |
| Other expenses | 2.26 | 1,484.47 | 1,311.37 |
| **Total expenses (IV)** | | **9,982.69** | **9,809.39** |
| V Loss before Tax (III-IV) | | **(189.18)** | **(247.71)** |
| VI Tax expense: | | | |
| Current tax | | -- | -- |
| Deferred tax | | (18.41) | (18.32) |
| Total tax expense | | (18.41) | (18.32) |
| VII **Loss for the year (V-VI)** | | **(170.77)** | **(229.39)** |
| VIII Other comprehensive Income/(Loss) | | | |
| i) Items that will not be reclassified to Profit or Loss: | | | |
| a) Re-measurement of defined benefit assets | | (27.49) | (9.95) |
| b) Income tax relating to items that will not be reclassified to profit and loss | | 7.65 | 3.44 |
| **Other comprehensive Loss, net of Tax (VIII)** | | **(19.84)** | **(6.51)** |
| IX **Total comprehensive Loss for the year (VII+VIII)** | | **(190.61)** | **(235.90)** |
| X Earnings /(Loss) per equity share | 2.27 | | |
| Basic and diluted | | (3.26) | (4.38) |

See accompanying notes forming part of standalone Financial Statements.

This is the Statement of Profit and Loss referred to in our report of even date.

For **Walker Chandiok & Co LLP**
Chartered Accountants
Firm's Registration No: 001076N/N500013
Per **Krishnakumar Ananthasivan**
Partner
Membership No: 206229

**For and on behalf of the Board of Directors of Eastern Treads Limited**

**Mohammed Sherif Shah**
Chief Financial Officer

**Baiju T.**
Company Secretary

**Navas M. Meeran**
Chairman
DIN: 00128692

Kochi
27 May 2019

## CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2019

(All amounts in ₹ lakhs, unless otherwise stated)

| | Year Ended 31 March 2019 | Year Ended 31 March 2018 |
|---|---|---|
| **A. Cash flow from operating activities** | | |
| Net loss before Tax | **(189.18)** | **(247.71)** |
| Adjustments for: | | |
| Depreciation and amortisation expense | 263.32 | 210.67 |
| Finance costs | 361.33 | 326.92 |
| Bad debts written off | 31.96 | 1.31 |
| Provision for doubtful debts | 59.19 | 2.94 |
| Provision for inventory | 0.66 | -- |
| Profit / (Loss) on sale of property, plant and equipment | (2.46) | 2.52 |
| Provision on employee benefits | 5.52 | 2.28 |
| Interest income | (7.16) | (4.05) |
| Operating profit before working capital changes | **523.18** | **294.88** |
| Adjustments for working capital changes | | |
| (Increase)/ Decrease in inventories | (48.71) | 201.64 |
| (Increase) in trade receivables | (173.39) | (162.79) |
| (Increase) in other receivables | (27.58) | (15.78) |
| (Decrease)/Increase in trade and other payables | (99.08) | 68.93 |
| **Cash generated from operations** | **174.42** | **386.88** |
| Net income tax paid | (1.06) | (35.81) |
| Net cash generated from operating activities (A) | **173.36** | **351.07** |
| **B. Cash flow from investing activities** | | |
| Payments for purchase of property, plant and equipment | (141.99) | (421.72) |
| Payments for purchase of intangible assets | -- | (10.51) |
| Proceeds from sale of property, plant and equipment | 16.56 | 4.88 |
| Movement in other bank balances | 22.32 | (1.58) |
| Payment for purchase of equity shares of subsidiary company | (2.59) | -- |
| Interest received | 8.70 | 3.86 |
| Net cash used in investing activities (B) | **(97.00)** | **(425.07)** |
| **C. Cash flow from financing activities** | | |
| Long-term borrowings (net of repayments) | (170.22) | (136.49) |
| Short-term borrowings (net of repayments) | 366.71 | 528.30 |
| Interest paid | (299.75) | (260.50) |
| Dividend paid including dividend distribution tax | -- | (29.68) |
| Net cash generated from/(used in) financing activities (C) | **(103.26)** | **101.63** |
| **Net increase in cash and cash equivalents (A+B+C)** | **(26.90)** | 27.63 |
| Cash and cash equivalents at the beginning of the year | 122.25 | 94.62 |
| **Cash and cash equivalents at the end of the year** | **95.35** | **122.25** |

See accompanying notes forming part of standalone Financial Statements.

This is the Standalone Cash flow statement referred to in our report of even date.

For **Walker Chandiok & Co LLP**
Chartered Accountants
Firm's Registration No: 001076N/N500013
**Krishnakumar Ananthasivan**
Partner
Membership No: 206229

**For and on behalf of the Board of Directors of Eastern Treads Limited**

**Mohammed Sherif Shah**
Chief Financial Officer

**Baiju T.**
Company Secretary

**Navas M. Meeran**
Chairman
DIN: 00128692

Kochi
27 May 2019

## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2019

(All amounts in ₹ lakhs, unless otherwise stated)

### a) Equity Share Capital

| Equity Shares of ₹10 each, fully paid-up | Equity Shares | |
|---|---|---|
| | Number in Lakhs | Amount * |
| Balance as at 31 March 2017 | 52.32 | 541.18 |
| Changes in equity share capital during the year | -- | -- |
| Balance as at 31 March 2018 | 52.32 | 541.18 |
| Changes in equity share capital during the year | -- | -- |
| Balance as at 31 March 2019 | 52.32 | 541.18 |

** Including forfeited shares balance ₹17.98 lakhs*

### b) Other Equity

| Particulars | Reserves and Surplus | | | | Total |
|---|---|---|---|---|---|
| | Capital Reserve | Other Equity | General Reserves | Retained Earnings | |
| **Balance as at 31 March 2017** | **100.00** | **744.41** | **97.46** | **(225.48)** | **716.39** |
| Payment of final dividend including dividend distribution tax | -- | -- | -- | (31.50) | (31.50) |
| Loss for the Year | -- | -- | -- | (229.39) | (229.39) |
| Other Comprehensive Loss, net of tax | -- | -- | -- | (6.51) | (6.51) |
| **Balance as at 31 March 2018** | **100.00** | **744.41** | **97.46** | **(492.88)** | **448.99** |
| Loss for the year | -- | -- | -- | **(170.77)** | **(170.77)** |
| Other comprehensive loss, net of tax | -- | -- | -- | **(19.84)** | **(19.84)** |
| **Balance as at 31 March 2019** | **100.00** | **744.41** | **97.46** | **(683.49)** | **258.38** |

See accompanying notes forming part of standalone Financial Statements.
This is the Statement of Changes in Equity referred to in our report of even date.

For **Walker Chandiok & Co LLP**
Chartered Accountants
Firm's Registration No: 001076N/N500013

**For and on behalf of the Board of Directors of**
**Eastern Treads Limited**

**Krishnakumar Ananthasivan**
Partner
Membership No: 206229

**Mohammed Sherif Shah**
Chief Financial Officer

**Baiju T.**
Company Secretary

**Navas M. Meeran**
Chairman
DIN: 00128692

Kochi
27 May 2019

## SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION FOR THE YEAR ENDED 31 MARCH 2019

(All amounts in ₹ lakhs, unless otherwise stated)

### General Information:

Eastern Treads Limited (the 'Company'/ 'ETL') was incorporated with its registered office at 3A, 3rd Floor, Eastern Corporate Office, 34/137 E, NH Bypass, Edappally, Kochi, Ernakulam - 682 024, Kerala. The Company's shares are listed in Bombay Stock Exchange. The Company is primarily engaged in the business of manufacturing and dealing of tread rubber, rubber based adhesives, tyre retreading accessories and retreading services.

### 1. Summary of Significant Accounting Policies

#### 1.1. A. Basis of Preparation

These financial statements are the separate financial statements of the Company (also called standalone financial statements) prepared in accordance with Indian Accounting Standards ('Ind AS') notified under section 133 of the Companies Act 2013 (the 'Act'), read together with the Companies (Indian Accounting Standards) Rules, 2015 (as amended).

These financial statements have been prepared under the historical cost convention, on the accrual basis of accounting, except for certain financial assets and financial liabilities that are measured at fair values at the end of each reporting period, as explained in the accounting policies below. The accounting policies have been applied consistently over all the periods presented in these financial statements except as mentioned below:

#### 1.1. B. Application of New Accounting Pronouncements

The Company has applied the following Ind AS pronouncements pursuant to issuance of the Companies (Indian Accounting Standards) amendment Rules, 2018. The effect is described below:

(i) The Company has adopted Ind AS 115 'Revenue from Contracts with Customers' with the date of initial application being 1 April 2018. Ind AS 115 establishes a comprehensive framework on revenue recognition. Ind AS 115 replaces Ind AS 18 'Revenue' and Ind AS 11 'Construction Contracts'. The application of Ind AS 115 did not have material impact on the financial statements.

(ii) The Company has adopted Appendix B to Ind AS 21, foreign currency transactions and advance consideration with effect from 1 April 2018 prospectively to all assets, expenses and income initially recognized on or after 1 April 2018 and the impact on implementation of the Appendix is immaterial.

#### 1.2. Use of Estimates and Judgements

The preparation of the Company's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the related disclosures. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future period, if the revision affects current and future period.

#### Significant Management Judgements

The following are significant management judgements in applying the accounting policies of the Company that have the most significant effect on the financial statements.

*Classification of Leases*

The Company enters into leasing arrangements for various assets. The classification of the leasing arrangement as a finance lease or operating lease is based on an assessment of several factors, including, but not limited to, transfer of ownership of leased asset at end of lease term, lessee's option to purchase and estimated certainty of exercise of such option, proportion of lease term to the asset's economic life, proportion of present value of minimum lease payments to fair value of leased asset and extent of specialised nature of the leased asset.

(All amounts in ₹ lakhs, unless otherwise stated)

*Recognition of Deferred Tax Assets*

The extent to which deferred tax assets can be recognised is based on an assessment of the probability that future taxable income will be available against which the deductible temporary differences and tax loss carry forward can be utilised. In addition, significant judgement is required in assessing the impact of any legal or economic limits or uncertainties in various tax jurisdictions

*Evaluation of Indicators for Impairment of Assets*

The evaluation of applicability of indicators of impairment of assets requires assessment of several external and internal factors which could result in deterioration of recoverable amount of the assets. In assessing impairment, management estimates the recoverable amount of each asset or cash generating units based on expected future cash flows and uses an interest rate to discount them. Estimation uncertainty relates to assumptions about future operating results and the determination of a suitable discount rate.

*Recoverability of Advances / Receivables*

At each balance sheet date, based on historical default rates observed over expected life, the management assesses the expected credit loss on outstanding receivables and advances.

*Useful Lives of Depreciable / Amortisable Assets*

Management reviews its estimate of the useful lives of depreciable / amortisable assets at each reporting date, based on the expected utility of the assets. Uncertainties in these estimates relate to technical and economic obsolescence that may change the utility of certain items of property, plant and equipment.

*Defined Benefit Obligation (DBO)*

Management's estimate of the DBO is based on a number of critical underlying assumptions such as standard rates of inflation, medical cost trends, mortality, discount rate and anticipation of future salary increases. Variation in these assumptions may significantly impact the DBO amount and the annual defined benefit expenses.

*Fair Value Measurements*

Management applies valuation techniques to determine the fair value of financial instruments (where active market quotes are not available) and non-financial assets. This involves developing estimates and assumptions consistent with how market participants would price the instrument. Management bases its assumptions on observable data as far as possible but this is not always available. In that case management uses the best information available. Estimated fair values may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date.

## 1.3. Revenue Recognition

Revenue from contracts with customers is recognised on transfer of control of promised goods or services to a customer at an amount that reflect the consideration to which the Company is expected to be entitled to in exchange for those goods or services. Revenue towards satisfaction of a Performance obligation is measured at the amount of transaction price (net of variable consideration) allocated to that Performance obligation.

### (a) Sale of Goods

Revenue from sale of goods is recognised when the control on the goods have been transferred to the customers. The Performance obligation in case of sale of goods is satisfied at a point of time, i.e., when the material is shipped to the customer or on delivery to the customer, as may be specified in the contract.

### (b) Rendering of Services

Revenue from job work and retreading services are recognised at the completion of the agreed services.

### (c) Interest and Other Income

Interest income is reported on an accrual basis using the effective interest method and is included under the head "other income" in the Statement of Profit and Loss.

(All amounts in ₹ lakhs, unless otherwise stated)

(d) **Lease Income**

Lease income arising from operating leases is accounted for over the lease terms and is included in other operating revenue in the statement of profit or loss.

(e) **Export Incentives**

Income from export incentives are recognised when the right to receive credit as per the terms of the Scheme is established and when there is certainty of realisation.

### 1.4. Leases

A lease is classified at the inception date as a finance lease or an operating lease. A lease that transfers substantially all the risks and rewards incidental to ownership to the Company is classified as a finance lease. The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

**a) Company as a Lessor**

The rental income from operating leases is generally recognised on a straight-line basis over the term of the relevant lease except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight- line basis over the lease term.

Company has entered into operating lease agreements with the customers for permitting the use of fixed assets. The lease term ranges from 3- 5 years. As per the terms of lease agreements, the agreements are cancellable at the option of both the parties by serving due notice. The residual value as per the lease agreements has been considered as the amount guaranteed by the lessees at the end of the lease period and the depreciation on leased assets has been computed accordingly after considering the guaranteed value.

**b) Company as a Lessee**

Finance leases are capitalised at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the statement of profit and loss, unless they are directly attributable to qualifying assets, in which case they are capitalized in accordance with the Company’s general policy on the borrowing costs. Contingent rentals are recognised as expenses in the periods in which they are incurred. Operating lease payments are recognised as an expense in the statement of profit and loss on a straight-line basis over the lease term.

### 1.5. Employee Benefits

Employee benefits include provident fund, employee state insurance scheme, gratuity and compensated absences. Expenses and liabilities in respect of employee benefits are recorded in accordance with Ind AS 19, Employee Benefits.

**a) Short-term Employee Benefits**

Employee benefits payable wholly within twelve months of receiving employee services are classified as short-term employee benefits. These benefits include salaries and wages, performance incentives which are expected to occur in next twelve months. The undiscounted amount of short-term employee benefits to be paid in exchange for employee services is recognised as an expense as the related service is rendered by employees.

(All amounts in ₹ lakhs, unless otherwise stated)

**b) Defined Contribution Plans**

The Company has defined contribution plans for employees comprising of Provident Fund and Employee's State Insurance. The contributions paid/payable to these plans during the year are charged to the Statement of Profit and Loss for the year.

**c) Defined Benefit Plans**

The Company has a defined benefit plan (the "Gratuity Plan"). The Gratuity Plan provides a lump sum payment to employees who have completed five years or more of service at retirement, disability or termination of employment, being an amount based on the respective employee's last drawn salary and the number of years of employment with the Company. Presently the Company's gratuity plan is unfunded.

The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows by reference to market yields at the end of the reporting period on government bonds that have terms approximating to the terms of the related obligation. The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets if any. This cost is included in employee benefit expense in the statement of profit and loss.

The liability or asset recognised in the balance sheet in respect of gratuity plan is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets if any. The defined benefit obligation is calculated annually by actuaries using the projected unit credit method.

Re-measurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in the period in which they occur, directly in other comprehensive income and are never reclassified to profit or loss. Changes in the present value of the defined benefit obligation resulting from plan amendments or curtailments are recognised immediately in the statement of profit and loss as past service cost.

The present value of the defined benefit obligation denominated in ₹ is determined by discounting the estimated future cash outflows by reference to market yields at the end of the reporting period on government bonds that have terms approximating to the terms of the related obligation.

Service and interest cost on the Company's defined benefit plan is included in employee benefits expense. Employee contributions, all of which are independent of the number of years of service, are treated as a reduction of service cost.

## 1.6. Foreign Currency Transactions

The functional currency of the Company is the Indian Rupee (INR). These financial statements are presented in INR (₹). In the financial statements of the Company, transactions in currencies other than the functional currency are translated into the functional currency at the exchange rates ruling at the date of the transaction.

Monetary assets and liabilities denominated in other currencies are translated into the functional currency at exchange rates prevailing on the reporting date. Non-monetary assets and liabilities denominated in other currencies and measured at historical cost or fair value are translated at the exchange rates prevailing on the dates on which such values were determined.

All exchange differences are included in the statement of profit and loss except any exchange differences on monetary items designated as an effective hedging instrument of the currency risk of designated forecasted sales or purchases, which are recognized in the other comprehensive income.

Summary of Significant Accounting Policies and other Explanatory Information for the Year ended 31 March 2019 (cont'd)

(All amounts in ₹ lakhs, unless otherwise stated)

### 1.7. Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

### 1.8. Government Grants

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, it is treated as deferred income and released to the statement of profit and loss over the expected useful lives of the assets concerned. When the Company receives grants of non-monetary assets, the asset and the grant are recorded at fair value amounts and released to statement of profit and loss over the expected useful life in a pattern of consumption of the benefit of the underlying asset.

### 1.9. Taxation

#### a) Income Tax

Income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date.

Current income tax relating to items recognised outside profit or loss is recognised outside profit or loss (either in other comprehensive income (OCI) or in equity). Current tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Minimum Alternate Tax (MAT) paid in accordance with the tax laws, which gives future economic benefits in the form of adjustment to future income tax liability, is considered as an asset if there is convincing evidence that the Company will pay normal income tax. Accordingly, MAT is recognised as an asset in the Balance Sheet when it is probable that future economic benefit associated with it will flow to the Company.

#### b) Deferred Tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date. Deferred tax liabilities are recognised for all taxable temporary differences, except when it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date. Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss (either in other comprehensive income or in equity). Deferred tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity. Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

### 1.10. Property, Plant and Equipment

Property, plant and equipment are stated at cost, less accumulated depreciation and impairment, if any. Costs directly attributable to acquisition are capitalised until the property, plant and equipment are ready for use, as intended by management. Expenditure incurred after the property, plant and equipment have been put into operation, such as repairs and maintenance, are normally charged to the statements of profit and loss in the period in which the costs are incurred. Major inspection and overhaul expenditure is capitalized if the recognition criteria are met.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognized net within other income/other expenses in statement of profit and loss. An item of property, plant and equipment and any significant part initially recognised is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit and loss, when the asset is derecognised. The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

### 1.11. Capital Work in Progress

Assets in the course of construction are capitalized in capital work in progress account. At the point when an asset is capable of operating in the manner intended by management, the cost of construction is transferred to the appropriate category of property, plant and equipment. Costs associated with the commissioning of an asset are capitalised when the asset is available for use but incapable of operating at normal levels until the period of commissioning has been completed. Revenue generated from production during the trial period is credited to capital work in progress.

### 1.12. Depreciation

Assets in the course of development or construction and freehold land are not depreciated. Other property, plant and equipment are stated at cost less accumulated depreciation and any provision for impairment. Depreciation commences when the assets are ready for their intended use.

(All amounts in ₹ lakhs, unless otherwise stated)

Depreciation is calculated on the depreciable amount, which is the cost of an asset less its residual value. Depreciation on tangible assets has been provided under Straight Line Method over the useful life of the assets estimated by the management (determined based on technical estimates), which is in line with the terms prescribed in Schedule II to the Companies Act, 2013. Depreciation for assets purchased/sold during the year is proportionately charged. The management estimates the useful life of the Property, Plant and Equipment as follows:

| Asset Category | Useful Life | Asset Category | Useful Life |
|---|---|---|---|
| a) Buildings | 30 Years | f) Manufacturing tools | 7 Years |
| b) Roads - Non RCC | 5 Years | g) Furniture and fixtures | 10 Years |
| c) Plant and machinery at Factory | 8-15 Years | h) Computers | 3 Years |
| d) Plant and machinery at Branches | 15 Years | i) Vehicles | 8 Years |
| e) Plant and machinery given for Lease | 3-5 Years | j) Office equipment | 5 Years |

The Company has evaluated the applicability of component accounting as prescribed under Ind AS 16 and Schedule II of the Companies Act, 2013. The management has not identified any significant component having different useful lives as the company's assets are not capable of being accounted separately as components. Schedule II requires the Company to identify and depreciate significant components with different useful lives separately.

Note: The useful life of Plant and machinery given under lease is taken as 3 years to 5 years based on the lease agreements. The residual value of the same has been considered as the amount guaranteed by the lessees as per the lease agreements at the end of the lease period. Hence the useful lives and residual values for these assets are different from the useful lives/residual value as prescribed under Part C of Schedule II of the Companies Act 2013. The useful life of vehicles given to employees as per the car policy scheme approved by the Company is taken as 3 years to 5 years based on the tenure of scheme availed by the employee.

Depreciation methods, useful lives and residual values are reviewed at each financial year end and changes in estimates, if any, are accounted for prospectively.

### 1.13. Intangible Assets

Intangible assets are recorded at the consideration paid for the acquisition of such assets and are carried at cost less accumulated amortisation and impairment. Advances paid towards the acquisition of intangible assets outstanding at each Balance Sheet date are disclosed as other non-current assets and the cost of intangible assets not ready for their intended use before such date are disclosed as intangible assets under development. The Company amortises intangible over their estimated useful lives using the straight-line method. The estimated useful lives of assets are as follows:

| Asset Category | Useful lives (in years) |
|---|---|
| Computer software | 5 |

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the Statement of Profit and Loss when the asset is derecognised. The residual values, useful lives and methods of amortisation of intangible assets are reviewed at each financial year end and adjusted prospectively, if appropriate.

(All amounts in ₹ lakhs, unless otherwise stated)

**1.14. Impairment of non - Financial Assets**

The carrying amount of assets is reviewed at each Balance Sheet date if there is any indication of impairment based on internal/external factors. An impairment loss will be recognised wherever the carrying amount of an asset exceeds its estimated recoverable amount. The recoverable amount is greater of the assets net selling price and value in use. In assessing the value in use; the estimated future cash flows are discounted to the present value using the weighted average cost of capital.

**1.15. Inventories**

Inventories are valued at the lower of cost and net realisable value item wise. Cost includes indirect costs incurred in bringing the inventory to its present location and condition are accounted for as follows:

(i) Raw materials:

Cost includes cost of purchase net of duties, taxes that are recoverable from the government and other costs incurred in bringing the inventories to their present location and condition. Cost is determined on FIFO basis using weighted average rate.

(ii) Finished goods and work in progress:

Cost includes cost of direct materials and labour and a proportion of manufacturing overheads based on the normal operating capacity, but excluding borrowing costs. Cost is determined on weighted average basis.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

**1.16. Provisions and Contingent Liabilities**

The assessments undertaken in recognising provisions and contingencies have been made in accordance with the applicable Ind AS. Provisions represent liabilities to the Company for which the amount or timing is uncertain. Provisions are recognized when the Company has a present obligation (legal or constructive), as a result of past events, and it is probable that an outflow of resources, that can be reliably estimated, will be required to settle such an obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows to net present value using an appropriate pre-tax discount rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Unwinding of the discount is recognized in the statement of profit and loss as a finance cost. Provisions are reviewed at each reporting date and are adjusted to reflect the current best estimate.

In the normal course of business, contingent liabilities may arise from litigation and other claims against the Company. Guarantees are also provided in the normal course of business. There are certain obligations which management has concluded, based on all available facts and circumstances, are not probable of payment or are very difficult to quantify reliably, and such obligations are treated as contingent liabilities and disclosed in the notes but are not reflected as liabilities in the financial statements. Although there can be no assurance regarding the final outcome of the legal proceedings in which the Company involved, it is not expected that such contingencies will have a material effect on its financial position or profitability. Contingent assets are not recognised but disclosed in the financial statements when an inflow of economic benefits is probable.

(All amounts in ₹ lakhs, unless otherwise stated)

**1.17. Financial Instruments**

**A) Financial Assets**

**a) Initial Recognition and Measurement**

All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through statement of profit and loss, transaction costs that are attributable to the acquisition of the financial asset. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

**b) Subsequent Measurement**

Subsequent measurement of financial assets is described below -

**(i) Debt Instruments at Amortised Cost**

A 'debt instrument' is measured at the amortised cost if both the following conditions are met:

a) The asset is held within a business model whose objective is to hold assets for collecting contractual cash flows, and

b) Contractual terms of the asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate (EIR) method. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the statement of profit and loss. The losses arising from impairment are recognised in the statement of profit and loss. This category generally applies to trade and other receivables.

**(ii) Debt instrument at fair value through other comprehensive income (FVTOCI)**

A debt instrument' is classified as at the FVTOCI if both of the following criteria are met:

a) The objective of the business model is achieved both by collecting contractual cash flows and selling the financial assets, and

b) The asset's contractual cash flows represent solely payments of principal and interest (SPPI).

Debt instruments included within the FVTOCI category are measured initially as well as at each reporting date at fair value. Fair value movements are recognized in the other comprehensive income (OCI). However, the Company recognizes interest income, impairment losses & reversals and foreign exchange gain or loss in the P&L. On derecognition of the asset, cumulative gain or loss previously recognised in OCI is reclassified from the equity to P&L. Interest earned whilst holding FVTOCI debt instrument is reported as interest income using the Effective Interest Rate (EIR) method.

**(iii) Debt instrument at fair value through Profit or Loss (FVTPL)**

FVTPL is a residual category for debt instruments. Any debt instrument, which does not meet the criteria for categorization as at amortized cost or as FVTOCI, is classified as at FVTPL. In addition, the Company may elect to designate a debt instrument, which otherwise meets amortized cost or FVTOCI criteria, as at FVTPL. However, such election is allowed only if doing so reduces or eliminates a measurement or recognition inconsistency (referred to as 'accounting mismatch'). The Company has designated its investments in debt instruments as FVTPL. Debt instruments included within the FVTPL category are measured at fair value with all changes recognized in the P&L.

(All amounts in ₹ lakhs, unless otherwise stated)

### c) Financial assets – derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e. removed from the Company's balance sheet) when:

1) The rights to receive cash flows from the asset have expired, or

2) The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass through' arrangement; and either

   a) The Company has transferred substantially all the risks and rewards of the asset, or

   b) The Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognise the transferred asset to the extent of the Company's continuing involvement. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

### d) Impairment of financial assets

In accordance with Ind AS 109 Financial Instruments, the Company applies expected credit loss (ECL) model for measurement and recognition of impairment loss for financial assets. The Company follows 'simplified approach' for recognition of impairment loss allowance on trade receivables. The application of simplified approach does not require the Company to track changes in credit risk. Rather, it recognises impairment loss allowance based on lifetime ECLs at each reporting date, right from its initial recognition.

For recognition of impairment loss on other financial assets and risk exposure, the Company determines that whether there has been a significant increase in the credit risk since initial recognition. If credit risk has not increased significantly, 12-month ECL is used to provide for impairment loss. However, if credit risk has increased significantly, lifetime ECL is used. If, in a subsequent period, credit quality of the instrument improves such that there is no longer a significant increase in credit risk since initial recognition, the Company reverts to recognising impairment loss allowance based on 12-month ECL. Lifetime ECL are the expected credit losses resulting from all possible default events over the expected life of a financial instrument. The 12-month ECL is a portion of the lifetime ECL which results from default events that are possible within 12 months after the reporting date.

ECL is the difference between all contractual cash flows that are due to the Company in accordance with the contract and all the cash flows that the entity expects to receive (i.e., all cash shortfalls), discounted at the original EIR. ECL impairment loss allowance (or reversal) recognized during the period is recognized as income/ expense in the statement of profit and loss. This amount is reflected under the head 'other expenses' in the statement of profit and loss. The balance sheet presentation for various financial instruments is described below:

(All amounts in ₹ lakhs, unless otherwise stated)

1) **Financial assets measured as at amortised cost:**

ECL is presented as an allowance, i.e., as an integral part of the measurement of those assets in the balance sheet. The allowance reduces the net carrying amount. Until the asset meets write-off criteria, the Company does not reduce impairment allowance from the gross carrying amount.

2) **Debt instruments measured at FVTPL:**

Since financial assets are already reflected at fair value, impairment allowance is not further reduced from its value. The change in fair value is taken to the statement of Profit and Loss.

3) **Debt instruments measured at FVTOCI:**

Since financial assets are already reflected at fair value, impairment allowance is not further reduced from its value. Rather, ECL amount is presented as accumulated impairment amount' in the OCI.

For assessing increase in credit risk and impairment loss, the Company combines financial instruments on the basis of shared credit risk characteristics with the objective of facilitating an analysis that is designed to enable significant increases in credit risk to be identified on a timely basis. The Company does not have any purchased or originated credit-impaired (POCI) financial assets, i.e., financial assets which are credit impaired on purchase/ origination.

## B) Financial Liabilities

### a) Recognition and Measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through statement of profit and loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs. The Company's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts, financial guarantee contracts and derivative financial instruments. The measurement of financial liabilities depends on their classification, as described below:

1) **Financial liabilities at fair value through statement of Profit and Loss**

Financial liabilities at fair value through statement of profit and loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through statement of profit and loss. Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Company that are not designated as hedging instruments in hedge relationships as defined by Ind AS 109. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

2) **Gains or losses on liabilities held for trading are recognised in the statement of Profit & Loss**

Financial liabilities designated upon initial recognition at fair value through statement of profit and loss are designated as such at the initial date of recognition, and only if the criteria in Ind AS 109 are satisfied.

(All amounts in ₹ lakhs, unless otherwise stated)

3) **Liabilities designated as FVTPL**

Fair value gains/ losses attributable to changes in own credit risk are recognized in OCI. These gains/ losses are not subsequently transferred to statement of profit and loss. However, the Company may transfer the cumulative gain or loss within equity. All other changes in fair value of such liability are recognised in the statement of profit and loss. The Company has not designated any financial liability as at fair value through statement of profit and loss.

b) **Financial Liabilities - Derecognition**

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit and loss.

**C) Offsetting of Financial Instruments**

Financial assets and financial liabilities are offset and the net amount is reported in the balance sheet if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

**Initial Recognition and Subsequent Measurement**

In order to hedge its exposure to foreign exchange, interest rate, and commodity price risks, the Company enters into forward, futures and other derivative financial instruments. The Company does not hold derivative financial instruments for speculative purposes. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. Any gains or losses arising from changes in the fair value of derivatives are taken directly to statement of profit and loss, except for the effective portion of cash flow hedges, which is recognised in other comprehensive income and later reclassified to statement of profit and loss when the hedge item affects profit and loss or treated as basis adjustment if a hedged forecast transaction subsequently results in the recognition of a non-financial asset or non-financial liability. For the purpose of hedge accounting, hedges are classified as:

1) Fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment.

2) Cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognised firm commitment.

At the inception of a hedge relationship, the Company formally designates and documents the hedge relationship to which the Company wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes the Company's risk management objective and strategy for undertaking hedge, the hedging/ economic relationship, the hedged item or transaction, the nature of the risk being hedged, hedge ratio and how the entity will assess the effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

(All amounts in ₹ lakhs, unless otherwise stated)

**D) Loans and Borrowings**

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate (hereinafter referred as EIR) method. Gains and losses are recognized in statement of profit and loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit and loss.

### 1.18. Fair Value Measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Company. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. Fair value of the financial instruments is classified in various fair value hierarchies based on the following three levels

a) Level 1- Quoted prices (unadjusted) is the active market price for identical assets or liabilities

b) Level 2 - Inputs other than quoted price included within level 1 that are observable for the assets or lability, either directly.

c) Level 3 - Inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

### 1.19. Cash and cash equivalents

Cash and cash equivalent in the balance sheet comprise cash at banks and on hand and short-term deposits with an original maturity of three months or less, which are subject to an insignificant risk of changes in value. For the purpose of the cash flow statement, cash and cash equivalents consist of cash and short-term deposits, as defined above.

### 1.20. Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision Maker. The Company is engaged in the business of manufacture and sale of tread rubber (pre-cured tread rubber, conventional tread), Rubber compounds, cushion/ bonding gum and black vulcanizing cement, which form broadly part of one product group and hence constitute a single business segment.

### 1.21. Earnings/ (Loss) per Equity Share (EPS)

The Company presents basic and diluted earnings per share ("EPS") data for its equity shares. Basic EPS is calculated by dividing the profit or loss attributable to equity shareholders of the Company by the weighted average number of equity shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to equity shareholders and the weighted average number of equity shares outstanding for the effects of all dilutive potential equity shares.

(All amounts in ₹ lakhs, unless otherwise stated)

### 1.22. Investments in subsidiaries

The Company's investment in equity instruments in subsidiaries are accounted for at cost. Where the carrying amount of an investment is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount and the difference is transferred to the Statement of Profit and Loss. On disposal of investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Profit and Loss.

### 1.23. Recent accounting pronouncements

#### Standards issued but not yet effective

#### (1) Ind AS 116 'Leases'

On March 30, 2019, Ministry of Corporate Affairs ('MCA') has clarified that Ind AS 116 is effective for annual periods beginning on or after April 1, 2019 and it replaces Ind AS 17 Leases, including appendices thereto. Ind AS 116 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under Ind AS 17. The standard includes two recognition exemptions for lessees - leases of 'low-value' assets and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. The Company is evaluating the requirements of the amendment and the effect on the financial statements is being evaluated.

#### (2) Amendment to Ind AS 12, Income taxes

On March 30, 2019, Ministry of Corporate Affairs ("MCA") has notified Appendix C to Ind-AS 12 Income taxes – "Uncertainty over Income Tax Treatments". The amendment to Ind AS 12 requires the entities to consider recognition and measurement requirements when there is uncertainty over income tax treatments. In such a circumstance, an entity shall recognise and measure its current or deferred tax asset or liability accordingly. The effective date of amendment is April 1, 2019. Further, there has been amendments in relevant paragraphs in Ind-AS 12 "Income Taxes" which clarifies that an entity shall recognize the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognized those past transactions or events in accordance with Ind-AS 109. The Company is evaluating the requirements of the amendments and their impact on the financial statements.

#### (3) Amendment to Ind AS 23, Borrowing costs

On March 30, 2019, Ministry of Corporate Affairs ("MCA") issued an amendment to Ind-AS 23 "Borrowing Costs" clarifies that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalization rate on general borrowings. This amendment is effective for annual periods beginning on or after April 1, 2019. This amendment is not expected to have a material impact on the Company.

Summary of Significant Accounting Policies and other Explanatory Information for the Year ended 31 March 2019 (cont'd)

(All amounts in ₹ lakhs, unless otherwise stated)

### 2.1. Property, Plant and Equipment and Capital Work in Progress

| | Land – freehold | Buildings | Plant and Machinery | Plant and machinery under lease | Furniture and fixtures | Office Equipment | Computers | Vehicles | Manufacturing Tools | Total | Capital work in progress |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Gross carrying Amount:** | | | | | | | | | | | |
| **Balance as at 31 March 2017** | **132.70** | **271.73** | **793.46** | **217.03** | **21.61** | **4.54** | **17.90** | **122.55** | **180.41** | **1,761.93** | **35.98** |
| Additions | -- | -- | 150.46 | 15.17 | -- | -- | 1.65 | 26.32 | 7.24 | 200.84 | 358.98 |
| Capitalised during the Year | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | (142.32) |
| Disposals | -- | -- | -- | (8.43) | -- | -- | -- | -- | -- | (8.43) | -- |
| **Balance as at 31 March 2018** | **132.70** | **271.73** | **943.92** | **223.77** | **21.61** | **4.54** | **19.55** | **148.87** | **187.65** | **1,954.34** | **252.64** |
| Additions | -- | -- | -- | -- | 0.55 | 0.39 | 9.61 | 2.66 | 16.47 | 29.68 | 112.31 |
| Capitalised during the Year | 12.93 | 70.33 | 262.77 | -- | 0.20 | -- | -- | -- | -- | 346.23 | -- |
| Disposals | -- | -- | (10.99) | (9.31) | (0.62) | (0.08) | (0.68) | (13.21) | -- | (34.89) | (346.87) |
| Asset given on lease | -- | -- | (24.66) | 24.66 | -- | -- | -- | -- | -- | -- | -- |
| **Balance as at 31 March 2019** | **145.63** | **342.06** | **1,171.04** | **239.12** | **21.74** | **4.85** | **28.48** | **138.32** | **204.12** | **2,295.36** | **18.08** |
| **Accumulated Depreciation** | | | | | | | | | | | |
| **Balance as at 31 March 2017** | **--** | **12.09** | **92.71** | **14.87** | **2.47** | **1.38** | **7.66** | **15.40** | **31.29** | **177.87** | **--** |
| Depreciation Charge for the Year | -- | 12.99 | 104.13 | 19.29 | 2.45 | 1.29 | 5.41 | 27.72 | 32.70 | 205.98 | -- |
| Disposals | -- | -- | -- | (1.03) | -- | -- | -- | -- | -- | (1.03) | -- |
| **Balance as at 31 March 2018** | **--** | **25.08** | **196.84** | **33.13** | **4.92** | **2.67** | **13.07** | **43.12** | **63.99** | **382.82** | **--** |
| Depreciation Charge for the Year | -- | 14.15 | 154.39 | 19.36 | 2.44 | 1.01 | 5.29 | 26.71 | 34.62 | 257.97 | -- |
| Disposals | -- | -- | (8.98) | (2.16) | (0.16) | (0.08) | (0.59) | (8.81) | -- | (20.78) | -- |
| Asset given on lease | -- | -- | (6.81) | 6.81 | -- | -- | -- | -- | -- | -- | -- |
| **Balance as at 31 March 2019** | **--** | **39.23** | **335.44** | **57.14** | **7.20** | **3.60** | **17.77** | **61.02** | **98.61** | **620.01** | **--** |
| **Net Block** | | | | | | | | | | | |
| **Balance as at 31 March 2018** | **132.70** | **246.65** | **747.08** | **190.64** | **16.69** | **1.87** | **6.48** | **105.75** | **123.66** | **1,571.52** | **252.64** |
| **Balance as at 31 March 2019** | **145.63** | **302.83** | **835.60** | **181.98** | **14.54** | **1.25** | **10.71** | **77.30** | **105.51** | **1,675.35** | **18.08** |

Notes:

a) Contractual Obligations

Refer note 2.30

b) Capitalised borrowing cost

There is no borrowing costs capitalised during the year ended 31 March 2019 (31 March 2018: Nil).

c) Property, Plant and Equipment Pledged as Security

Refer note 2.13 and 2.28

d) Useful life and method of depreciation

Refer note 1.12

Summary of Significant Accounting Policies and other Explanatory Information for the Year ended 31 March 2019 (cont'd)

(All amounts in ₹ lakhs, unless otherwise stated)

## 2.2. Intangible Assets

| | Software | Total |
|---|---|---|
| **Gross block** | | |
| Balance as at 31 March 2017 | 15.61 | 15.61 |
| Additions | 10.51 | 10.51 |
| Disposals | -- | -- |
| Balance as at 31 March 2018 | 26.12 | 26.12 |
| Additions | -- | -- |
| Disposals | -- | -- |
| Balance as at 31 March 2019 | 26.12 | 26.12 |
| **Accumulated Amortisation** | | |
| Balance as at 31 March 2017 | 4.10 | 4.10 |
| Amortisation for the period | 4.69 | 4.69 |
| Balance as at 31 March 2018 | 8.79 | 8.79 |
| Amortisation for the period | 5.35 | 5.35 |
| Balance as at 31 March 2019 | 14.14 | 14.14 |
| **Net block** | | |
| Balance as at 31 March 2018 | **17.33** | **17.33** |
| Balance as at 31 March 2019 | **11.98** | **11.98** |

## 2.3. Investment

| | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| Valued at cost, unquoted<br>In subsidiary company<br>(1,441,550 equity shares of ₹ 0.18 each in Shipnext Solutions private limited) | 2.59 | -- |
| | **2.59** | **--** |

## 2.4. Trade Receivables

| | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| **Non- Current** | | |
| Trade Receivables considered good – Unsecured | 2.49 | 5.76 |
| | **2.49** | **5.76** |
| **Current** | | |
| (a) Trade Receivables considered good – Secured | 277.06 | 263.02 |
| (b) Trade Receivables considered good - Unsecured | 2,375.62 | 2,304.15 |
| (c) Trade Receivables which have significant increase in Credit Risk | 62.13 | 2.94 |
| | **2,714.81** | **2,570.11** |
| Less: Provision for Doubtful Receivables | (62.13) | (2.94) |
| | **2,652.68** | **2,567.17** |

Summary of Significant Accounting Policies and other Explanatory Information for the Year ended 31 March 2019 (cont'd)

(All amounts in ₹ lakhs, unless otherwise stated)

**2.5. Loans**

| | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| Non-current | | |
| *(Unsecured, considered good)* | | |
| Loans and Advances | 2.00 | 1.57 |
| | **2.00** | **1.57** |
| Current | | |
| *(Unsecured, considered good)* | | |
| Loans and Advances | | |
| (a) to Related party* | 26.78 | -- |
| (b) to Others | 1.71 | 8.14 |
| | **28.49** | **8.14** |

* ₹ 26.78 lakhs has been given as loan to the subsidiary company, "Shipnext Solutions private limited", to meet its operational requirements. This loan is repayable on demand and carries interest rate @ 10.15% p.a.

**2.6. Other Financials Assets**

| | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| **Non-current** | | |
| Security Deposits | 49.12 | 69.74 |
| Margin Money Deposits with banks against bank guarantees | 35.85 | 1.87 |
| | **84.97** | **71.61** |
| **Current** | | |
| Security Deposits | 23.87 | -- |
| Interest accrued on Margin Money | -- | 1.54 |
| Others | 3.51 | 3.39 |
| | **27.38** | **4.93** |

**2.7. Other Assets**

| | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| **Non-current** | | |
| *(Unsecured, Considered Good)* | | |
| Prepaid Expenses | 4.68 | 0.82 |
| Balances with statutory authority | 24.97 | 22.98 |
| Capital Advance | 2.95 | 4.48 |
| | **32.60** | **28.28** |
| **Current** | | |
| *(Unsecured, Considered Good)* | | |
| Prepaid Expenses | 10.18 | 14.57 |
| Balances with statutory authority | 0.09 | 15.80 |
| Advance for Expenses | 6.13 | 16.05 |
| Other Current Assets | 2.57 | 7.43 |
| | **18.97** | **53.85** |

Summary of Significant Accounting Policies and other Explanatory Information for the Year ended 31 March 2019 (cont'd)

(All amounts in ₹ lakhs, unless otherwise stated)

### 2.8. Inventories

| | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| Raw Materials | 63.64 | 96.08 |
| Work in Progress | 54.94 | 74.67 |
| Finished Goods | 708.20 | 613.32 |
| Goods in Transit ( Finished Goods) | 8.51 | 0.11 |
| Packing Materials | 8.79 | 11.20 |
| Fuel & Oil | 3.19 | 7.66 |
| Tools & Spares | 14.27 | 9.79 |
| Less: Provision for inventory | (0.66) | -- |
| | **860.88** | **812.83** |

The value of finished goods includes stock in trade worth ₹ 41.39 lakhs (Previous year - ₹ 92.35 lakhs)
Provision is created on slow moving finished goods amounting to ₹ 0.66 lakhs.
Inventory pledged as security - *Refer Note no 2.28*
Method of inventory Valuation - *Refer Note no 1.15*

### 2.9. Cash and Cash Equivalents

| | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| Cash in Hand | 3.36 | 0.78 |
| Balances with Banks | | |
| - in Current Accounts | 91.99 | 121.47 |
| | **95.35** | **122.25** |

### 2.10. Bank balances other than 2.9 (above)

| | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| Unpaid Dividend accounts | 7.96 | 7.90 |
| Margin Money Deposits with banks against bank guarantees [ref note below] | 13.57 | 35.95 |
| | **21.53** | **43.85** |

The amount classified under Margin money deposits consists of amount deposited with banks towards margin money for Bank Guarantee, Letter of Credit and bill discounting facilities.

### 2.11. Share capital

| | As at 31 March 2019 | | As at 31 March 2018 | |
|---|---|---|---|---|
| | Number (In Lakhs) | Amount | Number (In Lakhs) | Amount |
| (a) **Authorised share capital** | | | | |
| Equity shares of ₹ 10 each | 60.00 | 600.00 | 60.00 | 600.00 |
| Preference Share Capital of ₹ 100 each | 10.00 | 1000.00 | 10.00 | 1000.00 |
| | **70.00** | **1600.00** | **70.00** | **1600.00** |
| (b) **Issued, subscribed and paid-up equity capital** | | | | |
| Equity shares of ₹ 10 each, fully paid up | 52.32 | 523.20 | 52.32 | 523.20 |
| Shares Forfeited | -- | 17.98 | -- | 17.98 |
| | **52.32** | **541.18** | **52.32** | **541.18** |

Summary of Significant Accounting Policies and other Explanatory Information for the Year ended 31 March 2019 (cont'd)

(All amounts in ₹ lakhs, unless otherwise stated)

| (c) **Reconciliation of the Number of Shares and Amount Outstanding at the beginning and at the end of the reporting period:** | As at 31 March 2019 | | As at 31 March 2018 | |
|---|---|---|---|---|
| | Number (In Lakhs) | Amount | Number (In Lakhs) | Amount |
| **Equity Shares of ₹ 10 each, par value** | | | | |
| Balances as at the beginning of the year | 52.32 | 523.20 | 52.32 | 523.20 |
| Add: Issued and Subscribed during the Year | -- | -- | -- | -- |
| Shares Forfeited | -- | 17.98 | -- | 17.98 |
| **Balance at the end of the Year** | **52.32** | **541.18** | **52.32** | **541.18** |

| (a) **Details of Shareholders Holding more than 5% Shares:** | As at 31 March 2019 | | As at 31 March 2018 | |
|---|---|---|---|---|
| | Number (In Lakhs) | Percentage | Number (In Lakhs) | Percentage |
| **Equity shares of ₹10 each, par value** | | | | |
| Feroz Meeran | 13.51 | 25.81% | 13.51 | 25.81% |
| Navas Meeran | 13.22 | 25.27% | 13.22 | 25.26% |
| Kerala State Industrial Development Corporation Limited | 6.15 | 11.75% | 6.15 | 11.75% |

(e) **Terms Rights, Attached to Equity Shares**

The Company has only one class of shares referred to as equity shares with a face value of ₹10 each. Each holder of equity share is entitled to one vote per share. The Company declares and pays dividend in Indian Rupees. The dividend proposed/declared by the Board of Directors is subject to approval/regularisation of the shareholders in the ensuing Annual General Meeting. In the event of liquidation of the Company, the holders of equity shares will be entitled to receive remaining assets of the Company after distribution of all preferential amounts, in proportion to the number of equity shares held by the shareholders.

(f) **Issue of Bonus Shares**

There has been no issuance of bonus shares or share buyback during five years immediately preceding 31 March 2019.

| (g) **Details of Forfeited shares** | As at 31 March 2019 | | As at 31 March 2018 | |
|---|---|---|---|---|
| | Number (In Lakhs) | Amount | Number (In Lakhs) | Amount |
| Equity shares with voting rights* | 3.595 | 17.98 | 3.595 | 17.98 |

*These shares were forfeited on 13 August 2014

**2.12. Other Equity**

| | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| Capital Redemption Reserve | 100.00 | 100.00 |
| Other Equity | 744.41 | 744.41 |
| General Reserves | 97.46 | 97.46 |
| Retained Earnings | (683.49) | (492.88) |
| | **258.38** | **448.99** |

Summary of Significant Accounting Policies and other Explanatory Information for the Year ended 31 March 2019 (cont'd)

(All amounts in ₹ lakhs, unless otherwise stated)

**Nature and purpose of each reserve:**

c) **Capital Redemption Reserve:**

The Company had redeemed 100,000 numbers of Zero coupon cumulative Redeemable Preference Shares of ₹100/- each amounting to ₹1 Crore during the FY 2016-17 and the amount equal to the face value of such number of shares has been transferred to Capital redemption reserve.

d) **Other Equity:**

The balance in the other equity represents the owners' equity component of the Preference shares reclassified in accordance with Ind AS 32.

e) **General Reserve:**

General reserve was created from time to time by way of transfer of profits from retained earnings for appropriation purposes.

f) **Retained Earnings:**

Retained earnings are the profits that the Company has earned till date, less any transfers to general reserve, dividends or other distributions paid to shareholders.

## 2.13. Borrowings

| | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| **Non-current** | | |
| *(Secured, from banks)* | | |
| Term Loan | 180.00 | 323.13 |
| Vehicle Loan | 60.94 | 88.04 |
| *(Unsecured)* | | |
| Liability Component of Cumulative Redeemable Preference Shares | 656.38 | 596.76 |
| | **897.32** | **1,007.93** |
| Amount disclosed under "Other Current Financial Liabilities" *(refer note 2.14)* | (101.06) | (181.06) |
| | **796.26** | **826.87** |
| **Current** | | |
| *(Secured, from banks)* | | |
| Cash Credit | 1,947.03 | 1,555.32 |
| (Unsecured) | | |
| Loan from Director | -- | 25.00 |
| | **1,947.03** | **1,580.32** |

**Notes:**

**(i) Term Loans from Banks**

a) Term loan from The Federal Bank Ltd is secured by way of first charge on the movable fixed assets and are further guaranteed by the Promoter Directors of the Company. The above loans are further secured by Collateral security by deposit of title deeds of the land and building of the Company.

b) These loans are repayable ranging from a period of 36 months to 60 months with equal monthly installments ranging from ₹2 lakhs to ₹6 lakhs. The rate of interest is 9.95% p.a.

(All amounts in ₹ lakhs, unless otherwise stated)

**(ii) Vehicle Loan**

a) The vehicle loans are secured by hypothecation of the vehicle with HDFC Bank Limited.

b) These loans are repayable ranging from a period of 36 months to 60 months with equal monthly installments ranging from ₹10,241 to ₹57,181.The rate of interest ranges from 8.92 % to 11.50% p.a.

**(iii) Liability Component of Cumulative Redeemable Preference Shares**

(a) The Company had issued 10 lakhs Zero Coupon Cumulative redeemable preference shares of ₹100 each to the promoters, which are redeemable after 5 years from the date of allotment subject to achieving net worth of ₹100 lakhs (without considering the said preference shares)

(b) The Board Meeting held on 22 July 2016 had approved the redemption plan of the Preference Shares. Ten Lakhs Redeemable Preference Shares of ₹100/- each shall be redeemed out of the profits of the Company in not more than 10 annual installments of a minimum of 100,000 Preference Shares of ₹100/- each aggregating to ₹1 crore per year. During the FY 16-17, the Company had redeemed 100,000 nos of Zero coupon cumulative Redeemable Preference Shares of ₹100/- each valued at ₹1 Crore. In accordance with Ind AS 32, these preference shares are classified as amortised cost liability as the preference shares provides for redemption on specific date or at the option of the holder.

**(iv) Cash Credit**

(a) The Cash Credit from The Federal Bank Ltd is secured by way of first charge on the floating assets and second charge on the fixed assets of the Company and are further guaranteed by the Promoter Directors of the Company. The above loans are further secured by Collateral security by deposit of title deeds of the land and building of the Company.

(b) The rate of interest for the Cash credit facility with Federal Bank Limited is 10.15% p.a.

**(v) Loan from Director**

(a) The interest free unsecured loan was accepted from director by the Company to meet working capital requirements.

(b) As per the terms of borrowings the Company reserves the right to repay either the full amount or part of the unsecured loan in case it does not require the same to meet its working capital requirements. Hence the loan will be repaid on demand and hence classified as short term borrowings.

(c) During the year the Company has repaid the entire amount.

## 2.14. Other Financial Liabilities

| | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| **Non-current** | | |
| Deposit from Employees | 8.25 | 8.66 |
| | **8.25** | **8.66** |
| **Current** | | |
| Current maturities of Long Term Borrowings | 101.06 | 181.06 |
| Security Deposit /Retention Money Payable | 152.08 | 162.11 |
| Due to Employees | 109.45 | 42.21 |
| Creditors for Capital Goods | 22.96 | 14.80 |
| Unpaid Dividends | 7.96 | 7.90 |
| | **393.51** | **408.08** |

Summary of Significant Accounting Policies and other Explanatory Information for the Year ended 31 March 2019 (cont'd)

(All amounts in ₹ lakhs, unless otherwise stated)

## 2.15. Provisions

| | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| **Non-current** | | |
| Provision for Employee Benefits | 101.38 | 69.23 |
| | **101.38** | **69.23** |
| **Current** | | |
| Provision for Employee Benefits | 7.19 | 6.33 |
| | **7.19** | **6.33** |

## 2.16. Deferred Tax Liabilities, Net

| | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| **Deferred Tax Liability** | | |
| On excess of net book value over Income Tax written down value of fixed assets | 44.66 | 66.27 |
| Deferred Tax impact on fair value changes | 86.74 | 103.02 |
| | **131.40** | **169.29** |
| **Deferred Tax Assets** | | |
| On Provisions | -- | (11.83) |
| **Deferred Tax Liabilities, net** | **131.40** | **157.46** |

## 2.17. Other Liabilities

| | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| **Non-current** | | |
| Advance Lease Rent | 7.64 | 15.84 |
| Others | 1.44 | 2.30 |
| | **9.08** | **18.14** |
| **Current** | | |
| Advance Lease Rent | 7.57 | 7.55 |
| Advances from Customers | 32.88 | 20.95 |
| Statutory dues payable | 48.23 | 6.12 |
| Others | 14.61 | 11.87 |
| | **103.29** | **46.49** |

## 2.18. Trade Payables

| | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| Dues to Micro Enterprises and Small Enterprises (Refer Note (a) below) | 64.34 | 41.33 |
| Dues to others | | |
| a) related parties | 0.66 | -- |
| b) others | 1,201.46 | 1,435.66 |
| | **1,266.46** | **1,476.99** |

Dues to micro and small enterprises as defined under the Micro, Small and Medium Enterprises Development Act (MSMED), 2006 to the extent identified and information available with the Company pursuant to Section 22 of the Micro, Small and Medium Enterprises Development Act (MSMED), 2006, details are mentioned below:

| | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| i) Principal amount remaining unpaid (but within due date as per the Micro, Small and Medium Enterprises Development Act, 2006) | 64.34 | 41.33 |
| ii) Interest due thereon remaining unpaid | -- | -- |
| iii) Interest paid by the Company in terms of Section 16 of the Micro, Small and Medium Enterprises Development Act, 2006, along-with the amount of the payment made to the supplier beyond the appointed day during the period. | -- | -- |
| iv) Interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the period) but without adding interest specified under the Micro, Small and Medium Enterprises Act, 2006 | -- | -- |
| v) Interest accrued and remaining unpaid | -- | -- |
| vi) Interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprises | -- | -- |
| **Total** | 64.34 | 41.33 |

## 2.19. Revenue from Operations

| | Year ended 31 March 2019 | Year ended 31 March 2018 |
|---|---|---|
| **Sale of Products** | 9,540.86 | 9,344.76 |
| **Other Operating Revenue** | | |
| Retreading Charges | 168.32 | 125.80 |
| Lease Rent Received | 33.00 | 26.99 |
| Sale of Scrap and Waste | 3.58 | 6.77 |
| Others | 0.12 | 35.04 |
| | **205.02** | **194.60** |
| | **9,745.88** | **9,539.36** |

Sale of products includes excise duty of ₹ Nil (31 March 2018: ₹100.84 lakhs)

### 2.19.1 Reconciliation of Revenue from sale of goods with the contracted price

| | | |
|---|---|---|
| Contracted price | 9,899.06 | 9,680.42 |
| Less : Trade discount, rebates etc | (358.20) | (335.66) |
| Net Revenue recognised from Contracts with Customers | **9,540.86** | **9,344.76** |

Summary of Significant Accounting Policies and other Explanatory Information for the Year ended 31 March 2019 (cont'd)

(All amounts in ₹ lakhs, unless otherwise stated)

### 2.20. Other Income

| | Year ended 31 March 2019 | Year ended 31 March 2018 |
|---|---|---|
| Interest Income | 7.16 | 4.05 |
| Miscellaneous income | 40.47 | 18.27 |
| | **47.63** | **22.32** |

### 2.21. Cost of Materials Consumed

| | Year ended 31 March 2019 | Year ended 31 March 2018 |
|---|---|---|
| Opening Inventory | 96.08 | 222.51 |
| Add: Purchases | 6,292.80 | 5,298.78 |
| Less: Closing Inventory | (63.64) | (96.08) |
| | **6,325.24** | **5,425.21** |

### 2.22. Changes in Stock of Finished Goods, Traded Goods and Work-in-Progress

| | Year ended 31 March 2019 | Year ended 31 March 2018 |
|---|---|---|
| ***Opening Stock*** | | |
| Finished Goods (including goods in transit) | 613.43 | 730.52 |
| Work-in-Progress | 74.67 | 39.01 |
| | **688.10** | **769.53** |
| ***Less: Closing Stock*** | | |
| Finished Goods (including goods in transit) | 716.71 | 613.43 |
| Work-in-Progress | 54.94 | 74.67 |
| | **771.65** | **688.10** |
| | **(83.55)** | **81.43** |

### 2.23. Employee Benefits Expense

| | Year ended 31 March 2019 | Year ended 31 March 2018 |
|---|---|---|
| Salaries, Wages and Bonus | 858.18 | 733.56 |
| Contributions to Provident and other Funds [refer note (a)] | 71.03 | 58.78 |
| Gratuity [refer note (b) ] | 16.46 | 10.44 |
| Staff Welfare Expenses | 52.24 | 45.30 |
| | **997.91** | **848.08** |

(a) Eligible employees of the Company receive benefits under the Provident Fund which is a defined contribution plan wherein both the employee and the Company make monthly contributions equal to a specific percentage of covered employees' salary. These contributions are made to the Fund administered and managed by the Government of India and the Company has no further obligation beyond making its contribution. The Company's monthly contributions are charged to Statement of Profit and Loss in the period in which they are incurred:

| | Year ended 31 March 2019 | Year ended 31 March 2018 |
|---|---|---|
| Employer's contribution to Provident Fund | 52.67 | 46.74 |
| Employer's contribution to ESI | 16.36 | 11.88 |
| Labour welfare and other funds | 2.00 | 0.16 |

(All amounts in ₹ lakhs, unless otherwise stated)

(b) In accordance with the payment of gratuity under 'Payment of Gratuity Act, 1972' of India, the Company provides for gratuity, a defined retirement benefit plan covering eligible employees. Liability with regard to such gratuity is determined by an independent actuarial valuation using the Projected Unit Credit method and is charged to the Statement of Profit and Loss. Re-measurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in the period in which they occur, directly in other comprehensive income. They are included in retained earnings in the statement of changes in equity and in the Balance Sheet. The following table set out the status of the gratuity plan as required under Ind AS 19, Employee Benefits:

| **Change in defined benefit obligations** | Year ended 31 March 2019 | Year ended 31 March 2018 |
|---|---|---|
| Present value of defined benefit obligations at beginning of the year | 77.21 | 56.82 |
| Current service cost | 10.91 | 5.96 |
| Interest cost | 5.55 | 4.48 |
| Benefits settled | (10.91) | -- |
| Actuarial (gain)/ loss | 26.83 | 9.95 |
| Present value of defined benefit obligations at the end of the year | **109.59** | **77.21** |

| **Reconciliation of present value of Obligation and the fair value of assets** | Year ended 31 March 2019 | Year ended 31 March 2018 |
|---|---|---|
| Present value of the defined benefit obligation at end of the year | 109.59 | 77.21 |
| Fair Value of plan assets | (1.02) | 1.65 |
| Liability recognised in the Balance Sheet | **108.57** | **75.56** |

| **Change in defined Benefit Obligations** | Year ended 31 March 2019 | Year ended 31 March 2018 |
|---|---|---|
| Fair Value of the Plan Assets at the beginning of the period | 1.65 | 0.46 |
| Expected Return on Plan assets | 0.12 | -- |
| Contributions by employer | 10.82 | 1.19 |
| Benefits paid from the fund | (10.91) | -- |
| Actual Gain/Loss | (0.66) | -- |
| Fair Value of the Plan Assets at the end of the period | 1.02 | **1.65** |

| **Components of net Gratuity Cost** | Year ended 31 March 2019 | Year ended 31 March 2018 |
|---|---|---|
| Current service cost | 10.91 | 5.96 |
| Interest cost | 5.55 | 4.48 |
| Net gratuity costs charged to profit or loss | **16.46** | **10.44** |

| **Components Actuarial Losses/(Gains) in Other Comprehensive Income** | Year ended 31 March 2019 | Year ended 31 March 2018 |
|---|---|---|
| Return on Plan Assets (Greater) / Less than Discount rate | 0.66 | -- |
| Actuarial (gain) / losses due to financial assumption changes in defined benefit obligations | (2.18) | -- |
| Actuarial (gain) / losses due to experience on defined benefit obligations | 29.01 | (9.95) |
| Total actuarial (gain) / loss included in other comprehensive income | **27.49** | **(9.95)** |

**Assumptions Used**

| | | |
|---|---|---|
| Discount Rate | 7.75% | 8.00% |
| Salary escalation rate * | 3.00% | 3.00% |
| Retirement age | 58 | 58 |

* Estimates of future salary increases takes into account inflation, seniority, promotions and other relevant factors such as supply and demand in employment market.

(All amounts in ₹ lakhs, unless otherwise stated)

### Sensitivity Analysis

### Description of Risk Exposures

Valuations are performed on certain basic set of pre-determined assumptions which may vary over time. Thus, the Company is exposed to various risks in providing the above benefit which are as follows:

**Interest Rate Risk** - The plan exposes the Company to the risk of fall in interest rates. A fall in interest rates will result in an increase in the ultimate cost of providing the above benefit and will thus result in an increase in the value of liability (as shown in financial statements).

**Liquidity Risk** - This is the risk that the Company is not able to meet the short term benefit payouts. This may arise due to non-availability of enough cash/cash equivalent to meet the liabilities or holding of illiquid assets not being sold in time.

**Salary Escalation Risks** - The present value of the above benefit plan is calculated with the assumption of salary increase rate of plan participants in future. Deviation in the rate of increase in salary in future for plan participants from the rate of increase in salary used to determine the present value of obligation will have a bearing on the plan's liability.

**Regulatory Risk** - Gratuity benefit is paid in accordance with the requirements of the Payment of Gratuity Act, 1972 (as amended from time to time).

**Investment Risk** - The probability or likelihood of occurrence of losses relative to the expected return on any particular investment.

Significant actuarial assumptions for the determination of the defined benefit obligation are discount rate, expected salary increase and mortality. The sensitivity analysis below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period, while holding all other assumptions constant. A quantitative sensitivity analysis for significant assumption is as shown below:

| Assumption | Year ended 31 March 2019 | | Year ended 31 March 2018 | |
|---|---|---|---|---|
| | Increase | Decrease | Increase | Decrease |
| Discount rate (- / + 1%) | (8.39) | 9.47 | (5.79) | 10.00 |
| Salary growth rate (- / + 1%) | 9.79 | (8.77) | 9.21 | (5.47) |
| Attrition rate (- / + 1%) | 3.14 | (3.67) | 41.67 | (38.62) |

Sensitivity analysis presented above may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated. There are no changes from the previous period in the methods and assumptions used in preparing the sensitivity analysis.

## 2.24. Finance Costs

| | Year ended 31 March 2019 | Year ended 31 March 2018 |
|---|---|---|
| Interest Expense | 256.76 | 249.92 |
| Interest on Income tax | -- | 3.53 |
| Other Borrowing Costs | 104.57 | 73.47 |
| | **361.33** | **326.92** |

Summary of Significant Accounting Policies and other Explanatory Information for the Year ended 31 March 2019 (cont'd)

(All amounts in ₹ lakhs, unless otherwise stated)

### 2.25. Depreciation and Amortisation Expense

| | Year ended 31 March 2019 | Year ended 31 March 2018 |
|---|---|---|
| Depreciation on Tangible Assets (refer note 2.1) | 257.97 | 205.98 |
| Amortisation on Intangible Assets (refer note 2.2) | 5.35 | 4.69 |
| | **263.32** | **210.67** |

### 2.26. Other Expenses

| | Year ended 31 March 2019 | Year ended 31 March 2018 |
|---|---|---|
| Repairs and Maintenance: | | |
| Building | 13.33 | 3.11 |
| Plant and Machinery | 11.67 | 9.41 |
| Others | 31.22 | 32.85 |
| Rent | 64.39 | 70.22 |
| Insurance | 12.48 | 14.78 |
| Professional Charges | 34.69 | 29.36 |
| Payments to the auditor (refer note 2.26.1 ) | 10.72 | 10.93 |
| Travelling Expenses | 124.90 | 107.95 |
| Business Promotion Expenses | 91.23 | 110.25 |
| Freight Charges | 171.09 | 146.39 |
| Claim Settlement | 10.49 | 4.49 |
| Tools and Spares Consumed | 13.11 | 15.55 |
| Commission | 48.67 | 25.65 |
| Power and Fuel | 351.19 | 273.69 |
| Rates and Taxes excluding Taxes on Income | 17.83 | 50.76 |
| Job Work Charges | 40.22 | 109.28 |
| Consumables | 52.07 | 35.47 |
| Packing Materials Consumed | 156.44 | 141.79 |
| General Factory Expenses | 92.51 | 68.25 |
| Provision for doubtful receivables | 59.19 | 2.94 |
| Provision for inventory | 0.66 | -- |
| Bad Debts | 31.96 | 1.31 |
| Miscellaneous Expenses | 44.41 | 46.94 |
| | **1,484.47** | **1,311.37** |

### 2.26.1. Payments to the Auditor

| | Year ended 31 March 2019 | Year ended 31 March 2018 |
|---|---|---|
| For Statutory audit | 10.00 | 10.00 |
| Reimbursement of expenses | 0.72 | 0.93 |
| | 10.72 | 10.93 |

### 2.27. Earning/(Loss) Per Equity Share

| | Year ended 31 March 2019 | Year ended 31 March 2018 |
|---|---|---|
| Net (loss) /profit after tax attributable to equity shareholders | (170.77) | (229.39) |
| Weighted number of ordinary shares for basic EPS in lakhs | 52.32 | 52.32 |
| Nominal value of ordinary share (in ₹ per share) | 10.00 | 10.00 |
| Basic and Diluted earnings for ordinary shares (in ₹ per share) | (3.26) | (4.38) |

Summary of Significant Accounting Policies and other Explanatory Information for the Year ended 31 March 2019 (cont'd)

(All amounts in ₹ lakhs, unless otherwise stated)

### 2.28. Assets pledged as Security

| The carrying amounts of assets pledged as security for current and non-current borrowings are: | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| **Current** | | |
| **First Charge** | | |
| Financial Assets | | |
| Trade Receivables | 2,652.68 | 2,567.17 |
| Cash and Cash Equivalents | 95.35 | 122.25 |
| Bank Balances other than Cash and Cash Equivalents above | 21.53 | 43.85 |
| Loans | 28.49 | 8.14 |
| Other Financial Assets | 27.38 | 4.93 |
| Inventories | 860.88 | 812.83 |
| Other Current Assets | 18.97 | 53.85 |
| **Total Current Assets Pledged as Securities** | **3,705.28** | **3,613.02** |
| **Non-Current** | | |
| **First Charge** | | |
| Property, Plant and Equipment (PPE) and Capital Work in Progress | 1,693.43 | 1,824.16 |
| **Total Non-Current Assets Pledged as Securities** | **1,693.43** | **1,824.16** |
| **Total Assets Pledged as Security** | **5,398.71** | **5,437.18** |

### 2.29. Related Party Disclosures

#### (A) Name of the related party and nature of relationship where control exists

**Key Management Personnel (KMP)**

| | |
|---|---|
| Navas M. Meeran | Chairman |
| M.E. Mohamed | Managing Director |
| Rajesh S. | Chief Executive Officer (up to 11 November 2018) |
| Mohammed Sherif Shah | Chief Financial Officer |
| Baiju T. | Company Secretary |

**Subsidiary Company:**

Shipnext Solutions Private Limited

**Entities where significant influence is exercised by the director, KMP and/or their relatives having transactions with the Company**

1. Eastern Condiments Private Limited
2. Eastern Mattresses Private Limited
3. Eastern Retreads Private Limited
4. Eastea Chai Private Limited
5. Feroz Treads Private Limited
6. Sheram Treads Private Limited
7. Sumo Treads Private Limited
8. Soya Rubbers Private Limited
9. Nilima Treads Private Limited
10. Vazhakkulam Rubbers
11. Alfa Rubbers
12. Rosekhan Industries
13. Sahara Treads

Summary of Significant Accounting Policies and other Explanatory Information for the Year ended 31 March 2019 (cont'd)

(All amounts in ₹ lakhs, unless otherwise stated)

**(B) Transactions with Related Parties as per the books of account during the period**

| Subsidiary and entities where significant influence is exercised by the director, KMP and/or their relatives having transactions with the Company | | |
|---|---|---|
| **Nature of Transaction** | Year ended 31 March 2019 | Year ended 31 March 2018 |
| Eastern Condiments Private Limited | | |
| Sharing of Expenses | 10.28 | 11.95 |
| Eastern Mattresses Private Limited | | |
| Sale of Finished Goods | 0.04 | -- |
| Eastern Retreads Private Limited | | |
| Sale of Finished Goods | 320.45 | 223.07 |
| Purchase of Goods | 0.25 | 0.03 |
| Sharing of Expenses | 0.63 | 0.51 |
| Job work payment | 1.64 | -- |
| Eastea Chai Private Limited | | |
| Sharing of Expenses | 1.07 | 0.37 |
| Feroz Treads Private Limited | | |
| Purchase of Goods | -- | 130.32 |
| Sale of Finished Goods | -- | 4.56 |
| Job Work Receipt | -- | 2.87 |
| Vazhakulam Rubbers | | |
| Purchase of Goods | 52.20 | 37.13 |
| Sale of Finished Goods | 29.01 | 69.97 |
| Job Work Payment | -- | 0.27 |
| Job Work Receipt | 0.14 | -- |
| Sumo Treads Private Limited | | |
| Purchase of Goods | -- | 28.45 |
| Sale of Raw Materials | -- | 0.02 |
| Job Work Receipt | -- | 0.65 |
| Soya Rubbers Private Limited | | |
| Security Services provided | 8.82 | 7.12 |
| Nilima Treads Private Limited | | |
| Purchase of Goods | -- | 1.30 |
| Alfa Rubbers | | |
| Purchase of Goods | -- | 134.40 |
| Sale of Finished Goods | -- | 4.71 |
| Job Work Receipt | -- | 3.20 |
| Rosekhan Industries | | |
| Purchase of Goods | -- | 366.39 |
| Sale of Raw Materials | -- | 259.64 |
| Job Work Payment | 3.72 | 75.24 |
| Job Work Receipt | -- | 3.31 |
| Sale of Finished Goods& scrap | -- | 66.82 |
| Sahara Treads | | |
| Purchase of Goods | -- | 385.98 |
| Sale of Raw Materials | -- | 226.78 |
| Job Work Payment | 1.63 | 44.76 |
| Sale of Finished Goods | -- | 5.81 |
| Job Work Receipt | -- | 2.65 |
| Sharing of expenses | 1.96 | -- |
| Rent deposit paid | 1.80 | -- |
| Shipnext solutions Private limited | | |
| Loans made to subsidiary | 26.27 | -- |
| Interest Income | 0.51 | -- |
| Investment made in equity shares | 2.59 | -- |

Summary of Significant Accounting Policies and other Explanatory Information for the Year ended 31 March 2019 (cont'd)

(All amounts in ₹ lakhs, unless otherwise stated)

| Key Managerial Person (KMP) | | |
|---|---|---|
| **Nature of Transaction – Remuneration and Other reimbursements** | Year ended 31 March 2019 | Year ended 31 March 2018 |
| Mr. Rajesh S * *(up to 11 November 2018)* | 16.38 | 26.22 |
| Mr. Baiju T | 10.73 | 11.10 |
| Mr. K.A. Mohammed Sherif Shah * | 18.66 | 17.82 |
| * Mr. Mohamed Sherif Shah was appointed as CFO w.e.f 25 July 2017. However remuneration disclosed is for the entire year | | |

| **Nature of Transaction - Loan** | Year ended 31 March 2019 | Year ended 31 March 2018 |
|---|---|---|
| Mr. Navas Meeran | | |
| Loan accepted | -- | 25.00 |
| Loan repaid | 25.00 | -- |

**(C) Amount Outstanding as at end of each reporting periods**

| **Amount receivables/ (payables):** | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| Subsidiary and entities where significant influence is exercised by the director, KMP and/or their relatives having transactions with the Company | | |
| Eastern Retreads Private Limited | 123.54 | 72.90 |
| Vazhakulam Rubbers | -- | 74.30 |
| Soya Rubbers Private Limited | (0.76) | 7.41 |
| Sahara Treads | (0.66) | -- |
| Shipnext Solutions Private Limited | 26.78 | -- |
| Rosekhan Industries | -- | 40.86 |
| Key Management Personnel | | |
| Navas Meeran | -- | (25.00) |
| Mohammed Sherif Shah | (0.79) | (0.79) |
| Baiju T | (0.46) | (0.46) |

**2.30. Contingent Liabilities and Commitments (To The Extent Not Provided For)**

| | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| **a) Claims against the company not acknowledged as debt** | | |
| i) Sales Tax matters | 34.27 | 14.10 |
| ii) Income Tax matters | 20.97 | 20.97 |
| **b)** Bank Guarantees outstanding | 298.61 | 91.38 |
| **c)** Guarantee provided to IDBI Bank Limited for Vendor bill Discounting facility | -- | 750.00 |
| **d) Commitments** | | |
| Estimated amounts of contracts remaining to be executed not provided for | -- | 7.09 |

(All amounts in ₹ lakhs, unless otherwise stated)

## 2.31. Financial Risk Management

The Company's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk. The Company's focus is to foresee the unpredictability of financial markets and seek to minimize potential adverse effects on its financial performance. The Company's exposure to credit risk is influenced mainly by the individual characteristic of each customer.

The Company's risk management activity focuses on actively securing the Company's short to medium-term cash flows by minimising the exposure to volatile financial markets. Long-term financial investments are managed to generate lasting returns. The Company does not actively engage in the trading of financial assets for speculative purposes nor does it write options. The most significant financial risks to which the Company is exposed are described below:

### A. Credit Risk Analysis

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Company. The Company is exposed to credit risk for receivables, cash and cash equivalents, investments and financial guarantee.

#### Cash and cash equivalents and short term investments

The Company considers factors such as track record, size of institution, market reputation and service standard to select the banks with which deposits are maintained. Generally the balances are maintained with the institutions with which the Company has also availed borrowings. The Company does not maintain significant deposit balances other than those required for its day to day operations.

#### Trade receivables

The Company is exposed to credit risk from its operating activities primarily from trade receivables amounting to ₹2,655.17 and ₹2,572.93 as of 31 March 2019 and 31 March 2018 respectively. The Company has standard operating procedure for obtaining sufficient security like bank guarantees where appropriate, as a means of mitigating the risk of financial loss from defaults.

The credit quality of the Company's customers is monitored on an ongoing basis and assessed for impairment where indicators of such impairment exist. The history of trade receivables shows a negligible provision for bad and doubtful debts. The solvency of customers and their ability to repay the receivable is considered in assessing receivables for impairment. Therefore, the Company does not expect any material risk on account of non-performance by any of the Company's counterparties. Where receivables are impaired, the Company actively seeks to recover the amounts in question and enforce the compliance with credit terms.

#### Movement in the provision for doubtful receivables

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| **Balance at the beginning** | 2.94 | -- |
| Credit Loss Recognised | 59.19 | 2.94 |
| Credit Loss Reversed | -- | -- |
| **Balance at the end** | 62.13 | 2.94 |

(All amounts in ₹ lakhs, unless otherwise stated)

**B. Liquidity Risk**

The Company requires funds both for short-term operational needs as well as for long-term growth projects. The Company generates sufficient cash flows from the current operations which together with the available cash and cash equivalents provide liquidity both in the short-term as well as in the long-term. In addition company has also availed short term / long term finance from banks as and when required.

The Company remains committed to maintaining a healthy liquidity, gearing ratio and strengthening the balance sheet. The maturity profile of the Company's financial liabilities based on the remaining period from the date of balance sheet to the contractual maturity date is given in the table below. The figures reflect the contractual undiscounted cash obligation of the Company.

**Maturities of financial liabilities**

| As at 31 March 2019 | < 1year | 1-5 years | >5years | Total |
|---|---|---|---|---|
| Borrowings | 2,048.09 | 139.88 | -- | 2,187.97 |
| Preference Share Redemption | 300.00 | 500.00 | 100.00 | 900.00 |
| Other Financial Liabilities | 292.45 | 8.25 | -- | 300.70 |
| Trade Payables | 1,266.46 | -- | -- | 1,266.46 |
| | **3,907.00** | **648.13** | **100.00** | **4,655.13** |
| **As at 31 March 2018** | **< 1year** | **1-5 years** | **>5years** | **Total** |
| Borrowings | 1,761.38 | 230.11 | -- | 1,991.49 |
| Preference Share Redemption | 200.00 | 500.00 | 200.00 | 900.00 |
| Other Financial Liabilities | 227.03 | 8.66 | -- | 235.69 |
| Trade Payables | 1,476.99 | -- | -- | 1,476.99 |
| | **3,665.40** | **738.77** | **200.00** | **4,604.17** |

**C. Interest Rate Risk**

The Company is exposed to interest rate risk on short-term (cash credit) and long-term (term loans). The borrowings of the Company are principally denominated in Indian Rupees. These exposures are reviewed by appropriate levels of management on a regular basis. There are no foreign currency borrowings made by the Company during the reporting periods. The Company's investments in fixed deposits all pay fixed interest rates. The impact on the Companies loss before tax due to change in interest rate is given below:

| Interest Sensitivity: | Change in interest rate | Effect on Profit before Tax | |
|---|---|---|---|
| | | 31 March 2019 | 31 March 2018 |
| Interest rates – increase by 100 basis points (100 bps) | 1.00% | (21.27) | (18.78) |
| Interest rates – decrease by 100 basis points (100 bps) | -1.00% | 21.27 | 18.78 |

**2.32. Capital Management**

The Company's objectives when managing capital is to safeguard continuity, maintain a strong credit rating and healthy capital ratios in order to support its business and provide adequate return to shareholders through continuing growth and maximise the shareholders' value. The Company's overall strategy remains unchanged from previous year. The Company sets the amount of capital required on the basis of annual business and long-term operating plans. The Company's policy is to use short term and long-term borrowings to meet anticipated funding requirements. For the purpose of calculating gearing ratio, debt is defined as non-current and current borrowings (excluding derivatives). Equity includes all capital and reserves of the Company attributable to equity holders of the Company.

(All amounts in ₹ lakhs, unless otherwise stated)

| | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| Short Term Borrowings | 1,947.03 | 1,580.32 |
| Long term borrowings | 796.26 | 826.87 |
| Current maturities of long term borrowings | 101.06 | 181.06 |
| Less: Cash and cash equivalents | (95.35) | (122.25) |
| Less: Bank balances other than cash and cash equivalents | (21.53) | (43.85) |
| Net Debt | **2,727.47** | **2,422.15** |
| Equity share capital | 541.18 | 541.18 |
| Other equity | 258.38 | 448.99 |
| **Total capital (equity + net debt)** | **3,527.03** | **3,412.32** |
| Gearing Ratio | 77% | 71% |

## 2.33. Disclosure with respect to Operating Leases

The lease expenses for cancellable operating leases during the year ended 31 March 2019: ₹64.39 (31 March 2018 is ₹70.22). The Company's significant leasing arrangements in respect of operating leases for office premises, which includes cancellable leases generally range between 11 months to 60 months and are usually renewable by mutual consent on mutually agreeable terms. The aggregate lease rentals payable are charged as rent under note 2.26 to the financial statements.

### Details of leasing arrangements as Lessor

Company has entered into operating lease agreements with the customers for permitting the use of plant and machinery. The lease term ranges from 3 - 5 years. As per the terms of lease agreements, the agreements are cancellable at the option of both the parties by serving due notice.

| | Year ended 31 March 2019 | Year ended 31 March 2018 |
|---|---|---|
| Net block value of plant and machinery given on lease (refer note 2.1) | 181.98 | 190.64 |
| Future minimum lease payments | | |
| - not later than one year | 22.86 | 26.67 |
| - later than one year and not later than five years | 21.00 | 42.90 |

## 2.34. Income Tax

| | Year ended 31 March 2019 | Year ended 31 March 2018 |
|---|---|---|
| **Current tax** | | |
| Current income tax charge | -- | -- |
| **Deferred tax** | | |
| Relating to the origination and reversal of temporary differences | (18.41) | (18.32) |
| **Income tax expense recognised in Statement of Profit and Loss** | **(18.41)** | **(18.32)** |
| **Deferred tax related to items recognised in Other comprehensive income (OCI)** | | |
| Income tax relating to re-measurement gains on defined benefit plans | (7.65) | (3.44) |

Summary of Significant Accounting Policies and other Explanatory Information for the Year ended 31 March 2019 (cont'd)

(All amounts in ₹ lakhs, unless otherwise stated)

| **Reconciliation of Deferred Tax (net)** | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| Opening balance | 157.46 | 179.22 |
| Tax credit during the year recognized in statement of profit and loss | (18.41) | (18.32) |
| Tax credit during the year recognised in OCI | (7.65) | (3.44) |
| **Closing balance** | **131.40** | **157.46** |

| **Reconciliation of tax expense and the accounting profit multiplied by India's domestic tax rate** | Year ended 31 March 2019 | Year ended 31 March 2018 |
|---|---|---|
| **Accounting loss before tax and exceptional item** | (189.18) | (247.71) |
| Tax on accounting profit at statutory income tax rate [27.82%] | (52.63) | (68.91) |
| Tax effects on account of: | | |
| Non deductible expenses | 12.23 | 5.99 |
| Change in tax rates | -- | (12.99) |
| Deferred tax assets not recognized due to lack of virtual certainty | 21.99 | 57.59 |
| **Tax charge for the year** | **(18.41)** | **(18.32)** |
| Income tax expense recognised in the Statement of Profit and Loss | (18.41) | (18.32) |

## 2.35. Fair Value Measurements

### (i) Financial Instruments by Category

The carrying value and fair value of financial instruments by categories are as follows:

| Particulars | 31 March 2019 | | | 31 March 2018 | | |
|---|---|---|---|---|---|---|
| | Amortised cost | Financial assets / liabilities at FVTPL | Financial assets / liabilities at FVTOCI | Amortised cost | Financial assets / liabilities at FVTPL | Financial assets / liabilities at FVTOCI |
| **Financial Assets:** | | | | | | |
| **Non-current** | | | | | | |
| i) Investment | 2.59 | -- | -- | -- | -- | -- |
| ii) Trade Receivables | 2.49 | -- | -- | 5.76 | -- | -- |
| iii) Loans | 2.00 | -- | -- | 1.57 | -- | -- |
| iv) Other Financial Assets | 84.97 | -- | -- | 71.61 | -- | -- |
| **Current** | | | | | | |
| i) Trade Receivables | 2,652.68 | -- | -- | 2,567.17 | -- | -- |
| ii) Cash and Cash Equivalents | 95.35 | -- | -- | 122.25 | -- | -- |
| iii) Bank Balances other than (ii) above | 21.53 | -- | -- | 43.85 | -- | -- |
| iv) Loans | 28.49 | -- | -- | 8.14 | -- | -- |
| v) Other Financial Assets | 27.38 | -- | -- | 4.93 | -- | -- |
| **Total financial assets** | **2,917.48** | **--** | **--** | **2,825.28** | **--** | **--** |
| **Financial Liabilities:** | | | | | | |
| **Non-current** | | | | | | |
| i) Borrowings | 796.26 | -- | -- | 826.87 | -- | -- |
| ii) Other Financial Liabilities | 8.25 | -- | -- | 8.66 | -- | -- |
| **Current** | | | | | | |
| i) Borrowings | 1,947.03 | -- | -- | 1,580.32 | -- | -- |
| ii) Trade Payables | 1,266.46 | -- | -- | 1,476.99 | -- | -- |
| iii) Other Financial Liabilities | 393.51 | -- | -- | 408.08 | -- | -- |
| **Total Financial Liabilities** | **4,411.51** | **--** | **--** | **4,300.92** | **--** | **--** |

The management assessed that the fair value of cash and cash equivalents, trade receivables, loans, other financial assets, trade payables, working capital loans and other financial liabilities approximate the carrying amount largely due to short-term maturity of this instruments.

(All amounts in ₹ lakhs, unless otherwise stated)

**(ii) Fair value of financial assets and liabilities measured at amortised cost**

The management assessed that for amortised cost instruments, fair value approximate largely to the carrying amount.

**(iii) Fair value hierarchy**

Financial assets and financial liabilities measured at fair value in the statement of financial position are grouped into three Levels of a fair value hierarchy. The three Levels are defined based on the observability of significant inputs to the measurement, as follows:

a) Level 1: Quoted prices (unadjusted) is the active market price for identical assets or liabilities.
b) Level 2: Inputs other than quoted price included within level 1 that are observable for the assets or liability, either directly.
c) Level 3: Inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

The fair value of trade receivables, trade payables and other current financial assets and liabilities is considered to be equal to the carrying amounts of these items due to their short- term nature.

## 2.36. Segment Information

The Company is engaged in the manufacture and sale of products which form part of one product group which represents one operating segment, as the Chief Operating Decision Maker (CODM), reviews business performance at an overall company level. Entity-wide disclosure as required by Ind AS 108 "Operating Segment" are as follows:

(a) Revenues from external customers for each product or each group of similar products:

| Particulars | Year ended 31 March 2019 | Year ended 31 March 2018 |
|---|---|---|
| Sales of products | 9,540.86 | 9,344.76 |
| | **9,540.86** | **9,344.76** |

(b) Revenues from external customers attributed to the Company's country of domicile and attributed to all foreign countries from which the Company derives revenues:

| Particulars | Year ended 31 March 2019 | Year ended 31 March 2018 |
|---|---|---|
| India | 8,991.12 | 9,032.86 |
| Outside India | 549.74 | 311.90 |
| | **9,540.86** | **9,344.76** |

(c) Non-current assets (other than financial instruments and deferred tax assets) located in the Company's country of domicile and in all foreign countries in which the Company holds assets:

| Particulars | Year ended 31 March 2019 | Year ended 31 March 2018 |
|---|---|---|
| India | 1,738.01 | 1,869.77 |
| Outside India | -- | -- |
| | **1,738.01** | **1,869.77** |

Summary of Significant Accounting Policies and other Explanatory Information for the Year ended 31 March 2019 (cont'd)

(All amounts in ₹ lakhs, unless otherwise stated)

(d) The following table gives details in respect of percentage of revenues generated from top customer and revenues from transactions with customers amounts to 10 percent or more of Company's revenues from product sale:

| Particulars | Year ended 31 March 2019 | Year ended 31 March 2018 |
|---|---|---|
| Revenue from top customer | 1139.60 | 730.00 |

**2.37.** On 12 November 2018, the Company has made an equity investment of Rs.2.59 lakhs (55%) in Shipnext Solutions Private Limited, a Company engaged in managing fleet management aggregation in IT Platform and aims to bring the material transportation sector in India into the foray of information technology by bringing transporters and customers on a single technological platform. It is in the process of providing an intelligent platform for interaction between transporters and customers to fix the prices beforehand and proceed with the shipment. By this it can bridge the gap between transporters, customers and all others involved in this industry by bringing them together into a common platform for continuous interaction, which helps the transporters to operate without geographical limits and obtain complete information on the opportunities available that will enable them to plan and optimise their trips. It helps customers to obtain the best possible rates for their shipments with real time tracking of shipments, ensure fast and safe delivery and prompt release of payment to the transporters.

**2.38. Disclosure pursuant to Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 and Section 186 of the Companies Act 2013**

The details of loans, guarantees and investments under Section 186 of the Companies Act read with the Companies (Meetings of Board and its Powers) Rules, 2014 are as follows:

(i) Details of investments are given in Note 2.3

(ii) Details of loans given are as follows

| Name of the Party | Relationship | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|---|
| Shipnext Solutions Private Limited | Subsidiary Company | 26.78 | -- |

(iii) Details of guarantees given are Nil

**2.39. Subsequent events**

There were no material subsequent events after the reporting date which requires any adjustments or disclosures relating to reported assets and liabilities at the end of the reporting period.

This is the summary of significant accounting policies and other explanatory information as referred to in our report of even date.

For **Walker Chandiok & Co LLP**
Chartered Accountants
Firm's Registration No: 001076N/N500013

**For and on behalf of the Board of Directors of Eastern Treads Limited**

**Krishnakumar Ananthasivan**
Partner
Membership No: 206229

**Mohammed Sherif Shah**
Chief Financial Officer

**Baiju T.**
Company Secretary

**Navas M. Meeran**
Chairman
DIN: 00128692

Kochi
27 May 2019

# INDEPENDENT AUDITOR'S REPORT

## To the Members of Eastern Treads Limited

## Report on the Audit of the Consolidated Financial Statements

### Opinion

1. We have audited the accompanying consolidated financial statements of Eastern Treads Limited ('the Holding Company') and its subsidiary (the Holding Company and its subsidiary together referred to as 'the Group'), which comprise the Consolidated Balance Sheet as at 31 March 2019, the Consolidated Statement of Profit and Loss (including Other Comprehensive Income), the Consolidated Cash Flow Statement and the Consolidated Statement of Changes in Equity for the year then ended, and a summary of the significant accounting policies and other explanatory information.

2. In our opinion and to the best of our information and according to the explanations given to us and based on the consideration of the reports of the other auditors on separate financial statements and on the other financial information of the subsidiary the aforesaid consolidated financial statements give the information required by the Companies Act, 2013 ('Act') in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India including Indian Accounting Standards ('Ind AS') specified under Section 133 of the Act, of the consolidated state of affairs (consolidated financial position) of the Group as at 31 March 2019, and its consolidated loss (consolidated financial performance including other comprehensive income), its consolidated cash flows and the consolidated changes in equity for the year ended on that date.

### Basis for Opinion

3. We conducted our audit in accordance with the Standards on Auditing specified under section 143(10) of the Act. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India ('ICAI') together with the ethical requirements that are relevant to our audit of the financial statements under the provisions of the Act and the rules thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained and the audit evidence obtained by the other auditors in terms of their reports referred to in paragraph 15 of the Other Matters section below, is sufficient and appropriate to provide a basis for our opinion.

### Key Audit Matter

4. Key audit matters are those matters that, in our professional judgment and based on the consideration of the report of the other auditor on separate financial statements and on other financial information of the subsidiary company, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

5. We have determined the matter described below to be the key audit matters to be communicated in our report.

| Key audit matter | How our audit addressed the key audit matter |
|---|---|
| **Provision for doubtful receivables for overdue trade receivables**<br><br>(Refer note 1.17 of the accompanying consolidated financial statements for significant accounting policy and note 2.30 for credit risk disclosures) | Our audit work included, but was not limited to, the following procedures:<br><br>Obtained an understanding of the process adopted by the Holding Company in estimating provisions for doubtful receivables including the key inputs and assumptions. Since assumptions and parameters are based on historical data, we assessed whether historical experience was representative of current circumstances and was relevant in view of the recent impairment losses incurred; |

| | |
|---|---|
| Trade receivables comprises a significant portion of the current assets of the Holding Company. As at 31 March 2019, the Holding Company has reported trade receivable of ₹2,655.17 lakhs (net of provision for doubtful receivables of ₹62.13 lakhs).<br><br>These significant judgements in applying the expected credit loss ('ECL') method arises due to the nature of the customers that the Holding Company deals with, which mainly construed the state-owned road transportation entities and various dealers/traders from the unorganized sector. Further, the payment plan varies from customer to customer, resulting in complexity in estimation of amount to be recorded expected credit loss.<br><br>Considering the materiality of the amount involved and significant degree of judgement and subjectivity involved in the estimates and assumptions used in determining the expected credit loss, we have determined this matter as a key audit matter. | Assessed and tested the design and operating effectiveness of key controls over completeness and accuracy of the key inputs and assumptions considered for calculation, recording and monitoring of the impairment loss recognized. Also evaluated the controls over the process, validation of data and related approvals.<br><br>For a selected sample, performed procedures to evaluate:<br>- Appropriateness of exposure at default, probability of default and loss given default in the calculation of ECL;<br>- Timely identification of exposures with a significant increase in credit risk and appropriateness of the Holding Company's method of determining the stages; and<br>- arithmetic accuracy of ECL calculation<br><br>Tested the methodology applied in the credit loss provision calculation by comparing it to the requirements of Ind AS 109, Financial Instruments, and appropriateness and reasonableness of the assumptions related to credit loss rate including the historical bad-debts applied in their assessment of the receivables allowance.<br><br>Evaluated responses to direct confirmation request circulated to customers and ensured the reconciling items have been adequately recorded in the books of account.<br><br>Tested the documents received as security against the trade receivables and amount received subsequent to year-end on sample basis.<br><br>Assessed the appropriateness and adequacy of the related presentation and disclosures of note 2.30 "Financial risk management" disclosed in the consolidated financial statements in accordance with the applicable accounting standards. |

## Information other than the Consolidated Financial Statements and Auditor's Report thereon

6. The Holding Company's Board of Directors is responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the consolidated financial statements and our auditor's report thereon. The Annual Report is expected to be made available to us after the date of this auditor's report.

   Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

   In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

   When we read the Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

## Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

7. The Holding Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Act with respect to the preparation of these consolidated financial statements that give a true and fair view of the consolidated state of affairs (consolidated financial position), consolidated profit or loss (consolidated financial performance including other comprehensive income), consolidated changes in equity and consolidated cash flows of the Group in accordance with the accounting principles generally accepted in India, including the Ind AS

specified under Section 133 of the Act. The respective Board of Directors/management of the companies included in the Group are responsible for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the consolidated financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error, which have been used for the purpose of preparation of the consolidated financial statements by the Directors of the Holding Company, as aforesaid.

8. In preparing the consolidated financial statements, the respective Board of Directors of the companies included in the Group are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so..

9. Those Board of Directors are also responsible for overseeing the financial reporting process of the companies included in the Group.

**Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

10. Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

11. As part of an audit in accordance with Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

    Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

    Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under Section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the Group (covered under the Act) have adequate internal financial controls system in place and the operating effectiveness of such controls.

    Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

    Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Group to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

    Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

12. We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

13. We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

14. From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

### Other Matter

15. We did not audit the financial statements of one subsidiary, whose financial statements reflect total assets of ₹ 30.08 lakhs and net assets of ₹ (35.17) lakhs as at 31 March 2019, total revenues of ₹NIL and net cash inflows amounting to ₹ 0.10 lakhs for the year ended on that date, as considered in the consolidated financial statements. These financial statements have been audited by other auditor whose report has been furnished to us by the management and our opinion on the consolidated financial statements, in so far as it relates to the amounts and disclosures included in respect of this subsidiary, and our report in terms of sub-section (3) of Section 143 of the Act, in so far as it relates to the aforesaid subsidiary is based solely on the report of the other auditor.

    Our opinion above on the consolidated financial statements, and our report on other legal and regulatory requirements below, are not modified in respect of the above matters with respect to our reliance on the work done by and the report of the other auditor.

### Report on Other Legal and Regulatory Requirements

16. As required by section 197(16) of the Act, based on our audit and on the consideration of the report of the other auditor, referred to in paragraph 15, on separate financial statements of the subsidiary, we report that the subsidiary company covered under the Act paid remuneration to their respective directors during the year in accordance with the provisions of and limits laid down under section 197 read with Schedule V to the Act. Further, we report that Holding Company covered under the Act have not paid or provided for any managerial remuneration during the year

17. As required by Section 143 (3) of the Act, based on our audit and on the consideration of the report of the other auditor on separate financial statements and other financial information of the subsidiary, we report, to the extent applicable, that:

    a) we have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit of the aforesaid consolidated financial statements;

    b) in our opinion, proper books of account as required by law relating to preparation of the aforesaid consolidated financial statements have been kept so far as it appears from our examination of those books and the reports of the other auditors,

    c) the consolidated financial statements dealt with by this report are in agreement with the relevant books of account maintained for the purpose of preparation of the consolidated financial statements;

    d) in our opinion, the aforesaid consolidated financial statements comply with Ind AS specified under section 133 of the Act;

    e) On the basis of the written representations received from the directors of the Holding Company and taken on record by the Board of Directors of the Holding Company and the report of the other statutory auditor of its subsidiary company, none of the directors of the Group companies covered under the Act, are disqualified as on 31 March 2019 from being appointed as a director in terms of Section 164(2) of the Act.

f) With respect to the adequacy of the internal financial controls over financial reporting of the Holding Company and its subsidiary company covered under the Act, and the operating effectiveness of such controls, refer to our separate report in 'Annexure I'; and

g) With respect to the other matters to be included in the Auditor's Report in accordance with rule 11 of the Companies (Audit and Auditors) Rules, 2014 (as amended), in our opinion and to the best of our information and according to the explanations given to us and based on the consideration of the report of the other auditors on separate financial statements as also the other financial information of the subsidiary:

   i. The consolidated financial statements disclose the impact of pending litigations on the consolidated financial position of the Group, as detailed in Note 2.29 to the consolidated financial statements.;

   ii. the Holding Company and its subsidiary did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses as at 31 March 2019;

   iii. there were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Holding Company and its subsidiary company covered under the Act, during the year ended 31 March 2019; and

   iv. the disclosure requirements relating to holdings as well as dealings in specified bank notes were applicable for the period from 8 November 2016 to 30 December 2016, which are not relevant to these consolidated financial statements. Hence, reporting under this clause is not applicable.

For **Walker Chandiok & Co LLP**
Chartered Accountants
Firm's Registration No.: 001076N/N500013

**Krishnakumar Ananthasivan**
Partner
Membership No.: 206229

**Place**: Kochi
**Date**: 27 May 2019

## ANNEXURE I TO THE INDEPENDENT AUDITOR'S REPORT OF EVEN DATE TO THE MEMBERS OF EASTERN TREADS LIMITED ON THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

### Annexure I

### Independent Auditor's Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ('the Act')

1. In conjunction with our audit of the consolidated financial statements of Eastern Treads Limited ('the Holding Company') and its subsidiary (the Holding Company and its subsidiary together referred to as 'the Group'), as at and for the year ended 31 March 2019, we have audited the internal financial controls over financial reporting ('IFCoFR') of the Holding Company and its subsidiary company, which are companies covered under the Act, as at that date.

### Management's Responsibility for Internal Financial Controls

2. The respective Board of Directors of the Holding Company and its subsidiary company, which are companies covered under the Act, are responsible for establishing and maintaining internal financial controls based on internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting issued by the Institute of Chartered Accountants of India. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of the company's business, including adherence to the company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Act.

### Auditor's Responsibility

3. Our responsibility is to express an opinion on the IFCoFR of the Holding Company and its subsidiary company, as aforesaid, based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India ('ICAI') and deemed to be prescribed under Section 143(10) of the Act, to the extent applicable to an audit of IFCoFR, and the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting ('the Guidance Note') issued by the ICAI. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate IFCoFR were established and maintained and if such controls operated effectively in all material respects.

4. Our audit involves performing procedures to obtain audit evidence about the adequacy of the IFCoFR and their operating effectiveness. Our audit of IFCoFR includes obtaining an understanding of IFCoFR, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

5. We believe that the audit evidence we have obtained and the audit evidence obtained by the other auditor in terms of their reports referred to in the Other Matter paragraph below, is sufficient and appropriate to provide a basis for our audit opinion on the IFCoFR of the Holding Company and its subsidiary company aforesaid.

Annexure I to the Independent Auditor's Report of even date to the members of Eastern Treads Limited on the consolidated financial statements for the year ended 31 March 2019 (Cont'd)

## Meaning of Internal Financial Controls over Financial Reporting

6. A company's IFCoFR is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's IFCoFR include those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

## Inherent Limitations of Internal Financial Controls over Financial Reporting

7. Because of the inherent limitations of IFCoFR, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the IFCoFR to future periods are subject to the risk that the IFCoFR may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

## Opinion

8. In our opinion and based on the consideration of the report of the other auditor on IFCoFR of the subsidiary company, the Holding Company and its subsidiary company, which are companies covered under the Act, have in all material respects, adequate internal financial controls over financial reporting and such controls were operating effectively as at 31 March 2019, based on internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting issued by the Institute of Chartered Accountants of India.

## Other Matter

9. We did not audit the IFCoFR in so far as it relates to one subsidiary company, which are companies covered under the Act, whose financial statements reflect total assets of ₹ 30.08 lakhs and net assets of ₹ (35.17) lakhs as at 31 March 2019, total revenues of ₹ NIL and net cash inflows amounting to ₹ 0.10 lakhs for the year ended on that date, as considered in the consolidated financial statements. The IFCoFR in so far as it relates to such subsidiary company, has been audited by other auditor whose report has been furnished to us by the management and our report on the adequacy and operating effectiveness of the IFCoFR for the Holding Company and its subsidiary company, as aforesaid, under Section 143(3)(i) of the Act in so far as it relates to such subsidiary company is based solely on the report of the auditor of such company. Our opinion is not modified in respect of this matter with respect to our reliance on the work done by and on the report of the other auditor.

For **Walker Chandiok & Co LLP**
Chartered Accountants
Firm's Registration No.: 001076N/N500013

**Krishnakumar Ananthasivan**
Partner
Membership No.: 206229

Place: Kochi
Date: 27 May 2019

## CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH 2019

(All amounts in ₹ lakhs, unless otherwise stated)

| | Note | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-Current Assets** | | | |
| (a) Property, Plant and Equipment | 2.1 | 1,676.84 | 1,571.52 |
| (b) Capital Work in Progress | 2.1 | 18.08 | 252.64 |
| (c) Goodwill | 2.36 | 16.02 | -- |
| (d) Other Intangible Assets | 2.2 | 15.51 | 17.33 |
| (e) Intangible Assets under development | 2.2.1 | 24.95 | -- |
| (f) Financial Assets | | | |
| (i) Trade Receivables | 2.3 | 2.49 | 5.76 |
| (ii) Loans | 2.4 | 2.00 | 1.57 |
| (iii) Other Financial Assets | 2.5 | 84.97 | 71.61 |
| (g) Other Non-Current Assets | 2.6 | 32.60 | 28.28 |
| **Total Non-current assets (I)** | | **1,873.46** | **1,948.71** |
| **Current Assets** | | | |
| (a) Inventories | 2.7 | 860.88 | 812.83 |
| (b) Financial Assets | | | |
| (i) Trade Receivables | 2.3 | 2,652.68 | 2,567.17 |
| (ii) Cash and Cash Equivalents | 2.8 | 95.45 | 122.25 |
| (iii) Bank balances other than (ii) above | 2.9 | 21.53 | 43.85 |
| (iv) Loans | 2.4 | 1.72 | 8.14 |
| (v) Other Financial Assets | 2.5 | 27.38 | 4.93 |
| (c) Current Tax Asset (Net) | | 28.07 | 27.01 |
| (d) Other Current Assets | 2.6 | 18.97 | 53.85 |
| Total Current Assets (II) | | **3,706.68** | **3,640.03** |
| **Total assets (I)+(II)** | | **5,580.14** | **5,588.74** |
| **EQUITY AND LIABILITIES** | | | |
| **Equity** | | | |
| (a) Equity Share Capital | 2.10 | 541.18 | 541.18 |
| (b) Other Equity | 2.11 | 252.47 | 448.99 |
| Equity attributable to owners of the Company | | 793.65 | 990.17 |
| (c) Non-Controlling Interest | | (15.82) | -- |
| **Total equity (I)** | 1 | **777.83** | **990.17** |
| **Liabilities** | | | |
| **Non-Current Liabilities** | | | |
| (a) Financial Liabilities | | | |
| (i) Borrowings | 2.12 | 796.26 | 826.87 |
| (ii) Other Financial Liabilities | 2.13 | 8.25 | 8.66 |
| (b) Provisions | 2.14 | 101.38 | 69.23 |
| (c) Deferred Tax Liabilities (Net) | 2.15 | 131.39 | 157.46 |
| (d) Other Non-Current Liabilities | 2.16 | 9.08 | 18.14 |
| Total Non-current Liabilities (II) | | **1,046.36** | **1,080.36** |
| **Current Liabilities** | | | |
| (a) Financial Liabilities | | | |
| (i) Borrowings | 2.12 | 1,970.41 | 1,580.32 |
| (ii) Trade Payables | 2.17 | | |
| (A) total outstanding dues of micro enterprises and small enterprises, and | | 64.34 | 41.33 |
| (B) total outstanding dues of creditors other than micro enterprises and small enterprises | | 1,204.78 | 1,435.66 |
| (iii) Other Financial Liabilities | 2.13 | 403.88 | 408.08 |
| (b) Provisions | 2.14 | 7.19 | 6.33 |
| (c) Other Current Liabilities | 2.16 | 105.35 | 46.49 |
| **Total current Liabilities (III)** | | **3,755.95** | **3,518.21** |
| **Total equity and liabilities (I)+(II)+(III)** | | **5,580.14** | **5,588.74** |

See accompanying notes forming part of the consolidated financial statements

This is the Consolidated Balance Sheet referred to in our report of even date.

For **Walker Chandiok & Co LLP**
Chartered Accountants
Firm's Registration No: 001076N/N500013
**Krishnakumar Ananthasivan**
Partner
Membership No: 206229

Kochi,
27 May 2019

**For and on behalf of the Board of Directors of Eastern Treads Limited**

**Mohammed Sherif Shah**
Chief Financial Officer

**Baiju T.**
Company Secretary

**Navas M. Meeran**
Chairman
DIN: 00128692

## CONSOLIDATED STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31 MARCH 2019

(All amounts in ₹ lakhs, unless otherwise stated)

| | | Note | Year Ended 31 March 2019 | Year Ended 31 March 2018 |
|---|---|---|---|---|
| I | Revenue from Operations | 2.18 | 9,745.88 | 9,539.36 |
| II | Other Income | 2.19 | 47.03 | 22.32 |
| III | **Total Income (I+II)** | | **9,792.91** | **9,561.68** |
| IV | Expenses | | | |
| | Cost of Materials Consumed | 2.20 | 6,325.24 | 5,425.21 |
| | Purchases of Stock-in-Trade | | 633.97 | 1,504.87 |
| | Changes in stock of finished goods, work-in-progress and stock-in-trade | 2.21 | (83.55) | 81.43 |
| | Excise duty on sales | | -- | 100.84 |
| | Employee Benefits Expense | 2.22 | 1,002.85 | 848.08 |
| | Finance Cost | 2.23 | 361.60 | 326.92 |
| | Depreciation and Amortisation Expense | 2.24 | 264.30 | 210.67 |
| | Other Expenses | 2.25 | 1,488.68 | 1,311.37 |
| | **Total Expenses (IV)** | | **9,993.09** | **9,809.39** |
| V | Loss before tax (III-IV) | | **(200.18)** | **(247.71)** |
| VI | Tax Expense: | | | |
| | Current Tax | | -- | -- |
| | Deferred Tax | | (18.66) | (18.32) |
| | **Total tax expense (VI)** | | (18.66) | (18.32) |
| VII | **Loss for the Year (V-VI)** | | **(181.52)** | **(229.39)** |
| | Loss attributable to: | | | |
| | Equity owners of the Company | | (176.68) | (229.39) |
| | Non- controlling Interest | | (4.84) | -- |
| VIII | Other Comprehensive Loss | | | |
| | i) Items that will not be reclassified to Profit or Loss: | | | |
| | a) Re-measurement of defined benefit assets | | (27.49) | (9.95) |
| | b) Income tax relating to items that will not be reclassified to profit and loss | | 7.65 | 3.44 |
| | **Other comprehensive loss net of tax (VIII)** | | **(19.84)** | **(6.51)** |
| | Other comprehensive loss attributable to: | | | |
| | Equity owners of the Company | | (19.84) | (6.51) |
| | Non- controlling Interest | | -- | -- |
| IX | **Total Comprehensive loss for the year (VII+VIII)** | | **(201.36)** | **(235.90)** |
| | Total comprehensive loss attributable to: | | | |
| | Equity owners of the Company | | (196.52) | (235.90) |
| | Non- controlling Interest | | (4.84) | -- |
| X | Earning / (Loss) per equity share | | | |
| | Basic and Diluted | 2.26 | (3.38) | (4.38) |

See accompanying notes forming part of the consolidated financial statements

This is the Consolidated Statement of Profit and Loss referred to in our report of even date.

For **Walker Chandiok & Co LLP**
Chartered Accountants
Firm's Registration No: 001076N/N500013

**For and on behalf of the Board of Directors of Eastern Treads Limited**

**Krishnakumar Ananthasivan**
Partner
Membership No: 206229

**Mohammed Sherif Shah**
Chief Financial Officer

**Baiju T.**
Company Secretary

**Navas M. Meeran**
Chairman
DIN: 00128692

Kochi
27 May 2019

## CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2019

(All amounts in ₹ lakhs, unless otherwise stated)

| | Year Ended 31 March 2019 | Year Ended 31 March 2018 |
|---|---|---|
| **A. Cash flow from Operating Activities** | | |
| Loss before Tax | **(200.18)** | **(247.71)** |
| Adjustments for: | | |
| Depreciation and Amortisation Expense | 264.30 | 210.67 |
| Finance Costs | 361.60 | 326.92 |
| Bad Debts written off | 31.96 | 1.31 |
| Provision for Doubtful Debts | 59.19 | 2.94 |
| Provision for inventory | 0.66 | -- |
| (Profit)/Loss on sale of property, plant and equipment | (2.46) | 2.52 |
| Provision on employee benefits | 5.52 | 2.28 |
| Interest Income | (6.56) | (4.05) |
| Operating Profit before Working Capital Changes | **514.03** | **294.88** |
| Adjustments for Working Capital Changes | | |
| (Increase)/Decrease in inventories | (48.71) | 201.64 |
| (Increase) in Trade receivables | (172.34) | (162.79) |
| (Increase) in other receivables | (28.63) | (15.78) |
| (Decrease)/Increase in trade and other payables | (89.76) | 68.93 |
| **Cash Generated from Operations** | **174.59** | **386.88** |
| Net Income Tax Paid | (1.06) | (35.81) |
| Net cash generated from operating activities (A) | **173.53** | **351.07** |
| **B. Cash Flow from Investing Activities** | | |
| Payments for Purchase of Property, Plant and Equipment | (143.37) | (421.72) |
| Payments for Purchase of Intangible Assets | (24.95) | (10.51) |
| Proceeds from sale of Property, Plant and Equipment | 16.56 | 4.88 |
| Movement in Other Bank Balances | 22.32 | (1.58) |
| Payment for purchase of equity shares of subsidiary company | (2.59) | -- |
| Interest Received | 8.70 | 3.86 |
| Net Cash used in Investing Activities (B) | **(123.33)** | **(425.07)** |
| **C. Cash Flow from Financing Activities** | | |
| Long-term Borrowings (net of repayments) | (170.23) | (136.49) |
| Short-term Borrowings (net of repayments) | 393.86 | 528.30 |
| Interest Paid | (300.63) | (260.50) |
| Dividend paid including dividend distribution tax | -- | (29.68) |
| Net Cash Flow from Financing Activities (C) | **(77.00)** | **101.63** |
| **Net Increase in Cash and Cash Equivalents (A+B+C)** | **(26.80)** | **27.63** |
| Cash and Cash Equivalents at the beginning of the year | 122.25 | 94.62 |
| **Cash and Cash Equivalents at the end of the Year** | **95.45** | **122.25** |

See accompanying notes forming part of the consolidated financial statements

This is the Consolidated Cash Flow statement referred to in our report of even date.

For **Walker Chandiok & Co LLP**
Chartered Accountants
Firm's Registration No: 001076N/N500013

**Krishnakumar Ananthasivan**
Partner
Membership No: 206229

Kochi
27 May 2019

**For and on behalf of the Board of Directors of Eastern Treads Limited**

**Mohammed Sherif Shah**
Chief Financial Officer

**Baiju T.**
Company Secretary

**Navas M. Meeran**
Chairman
Din: 00128692

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2019

(All amounts in ₹ lakhs, unless otherwise stated)

### a) Equity Share Capital

| Equity Shares of ₹10 each, fully paid-up | Equity Shares | |
|---|---|---|
| | Number in Lakhs | Amount * |
| Balance as at 31 March 2017 | 52.32 | 541.18 |
| Changes in equity share capital during the year | -- | -- |
| Balance as at 31 March 2018 | 52.32 | 541.18 |
| Changes in equity share capital during the year | -- | -- |
| Balance as at 31 March 2019 | 52.32 | 541.18 |

** Including forfeited shares balance ₹17.98 lakhs*

### b) Other Equity

| Particulars | Reserves and Surplus | | | | | Non-controlling interests | Total |
|---|---|---|---|---|---|---|---|
| | Capital Reserve | Other Equity | General Reserves | Retained Earnings | Total | | |
| **Balance as at 31 March 2017** | **100.00** | **744.41** | **97.46** | **(225.48)** | **716.39** | **--** | **716.39** |
| Payment of final dividend including dividend distribution tax | -- | -- | -- | (31.50) | (31.50) | -- | (31.50) |
| Loss for the Year | -- | -- | -- | (229.39) | (229.39) | -- | (229.39) |
| Other Comprehensive Loss, net of tax | -- | -- | -- | (6.51) | (6.51) | -- | (6.51) |
| **Balance as at 31 March 2018** | **100.00** | **744.41** | **97.46** | **(492.88)** | **448.99** | **--** | **448.99** |
| Non-controlling interest as on acquisition date | -- | -- | -- | -- | -- | (10.98) | (10.98) |
| Loss for the year | -- | -- | -- | (176.68) | (176.68) | (4.84) | (181.52) |
| Other comprehensive loss, net of tax | -- | -- | -- | (19.84) | (19.84) | -- | (19.84) |
| **Balance as at 31 March 2019** | **100.00** | **744.41** | **97.46** | **(689.40)** | **252.47** | **(15.82)** | **236.65** |

See accompanying notes forming part of the consolidated financial statements

This is the Consolidated Statement of Changes in Equity referred to in our report of even date.

For **Walker Chandiok & Co LLP**
Chartered Accountants
Firm's Registration No: 001076N/N500013

**For and on behalf of the Board of Directors of Eastern Treads Limited**

**Krishnakumar Ananthasivan**
Partner
Membership No: 206229

**Mohammed Sherif Shah**
Chief Financial Officer

**Baiju T.**
Company Secretary

**Navas M. Meeran**
Chairman
Din: 00128692

Kochi
27 May 2019

## SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION ON CONSOLIDATED FINANCIAL STATEMENT FOR THE YEAR ENDED 31 MARCH 2019

(All amounts in ₹ lakhs, unless otherwise stated)

### General Information:

Eastern Treads Limited (the 'Holding Company'/ 'ETL') was incorporated with its registered office at 3A, 3rd Floor, Eastern Corporate Office, 34/137 E, NH Bypass, Edappally, Kochi, Ernakulam - 682 024, Kerala. The Holding Company's shares are listed in Bombay Stock Exchange. ETL is primarily engaged in the business of manufacturing and dealing of tread rubber, rubber based adhesives, tyre retreading accessories and retreading services.

The consolidated financial statements comprise financial statements of the Holding Company and its Subsidiary (together referred to as the "Group").

### 1. Summary of Significant Accounting Policies

#### 1.1. A. Basis of Preparation

These consolidated financial statements have been prepared in accordance with Indian Accounting Standards ('Ind AS') notified under Section 133 of the Companies Act 2013 (the 'Act'), read together with the Companies (Indian Accounting Standards) Rules, 2015 (as amended).

These consolidated financial statements have been prepared under the historical cost convention, on the accrual basis of accounting, except for certain financial assets and financial liabilities that are measured at fair values at the end of each reporting period, as explained in the accounting policies below. The accounting policies have been applied consistently over all the periods presented in these consolidated financial statements except as mentioned below:

#### 1.1. B. Application of New Accounting Pronouncements

The Group has applied the following Ind AS pronouncements pursuant to issuance of the Companies (Indian Accounting Standards) amendment Rules, 2018. The effect is described below:

(i) The Group has adopted Ind AS 115 'Revenue from Contracts with Customers' with the date of initial application being 1 April 2018. Ind AS 115 establishes a comprehensive framework on revenue recognition. Ind AS 115 replaces Ind AS 18 'Revenue' and Ind AS 11 'Construction Contracts'. The application of Ind AS 115 did not have material impact on the financial statements.

(ii) The Group has adopted Appendix B to Ind AS 21, Foreign currency transactions and advance consideration with effect from 1 April 2018 prospectively to all assets, expenses and income initially recognized on or after 1 April 2018 and the impact on implementation of the Appendix is immaterial.

#### 1.1.C. Basis of consolidation:

The consolidated financial statements of the Group include:

| | Country of incorporation | Percentage of shareholding/ voting power |
|---|---|---|
| **Subsidiaries:** | | 31 March 2019 |
| Shipnext Solutions Private limited | India | 55% |

The consolidated financial statements comprise the financial statements of the Holding Company and its subsidiary as at 31 March 2019. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

a) Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
b) Exposure, or rights, to variable returns from its involvement with the investee, and
c) The ability to use its power over the investee to affect its returns

(All amounts in ₹ lakhs, unless otherwise stated)

Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

a) The contractual arrangement with the other vote holders of the investee
b) Rights arising from other contractual arrangements
c) The Group's voting rights and potential voting rights
d) The size of the group's holding of voting rights relative to the size and dispersion of the holdings of the other voting rights holders

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances. If a member of the group uses accounting policies other than those adopted in the consolidated financial statements for like transactions and events in similar circumstances, appropriate adjustments are made to that group member's financial statements in preparing the consolidated financial statements to ensure conformity with the group's accounting policies.

The financial statements of all entities used for the purpose of consolidation are drawn up to same reporting date as that of the parent Group, i.e., year ended on 31 March. When the end of the reporting period of the parent is different from that of a subsidiary, the subsidiary prepares, for consolidation purposes, additional financial information as of the same date as the financial statements of the parent to enable the parent to consolidate the financial information of the subsidiary, unless it is impracticable to do so.

**Consolidation procedure:**

(a) Combine like items of assets, liabilities, equity, income, expenses and cash flows of the parent with those of its subsidiary. For this purpose, income and expenses of the subsidiary are based on the amounts of the assets and liabilities recognised in the consolidated financial statements at the acquisition date.

(b) Offset (eliminate) the carrying amount of the parent's investment in each subsidiary and the parent's portion of equity of each subsidiary. Business combinations policy explains how to account for any related goodwill.

(b) Eliminate in full intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between entities of the group (profits or losses resulting from intragroup transactions that are recognised in assets, such as inventory and fixed assets, are eliminated in full ).Intragroup losses may indicate an impairment that requires recognition in the consolidated financial statements. Ind AS12 Income Taxes applies to temporary differences that arise from the elimination of profits and losses resulting from intragroup transactions.

Non-controlling interest represents the amount of equity not attributable, directly or indirectly, to the Group at the date on which investment in a subsidiary is made and its share of movements in equity since that date. Non-controlling interests in the results and equity of subsidiary are shown separately in the Consolidated Statement of Profit and Loss, consolidated statement of changes in equity and Consolidated balance sheet respectively.

(All amounts in ₹ lakhs, unless otherwise stated)

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiary to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without loss of control is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

a) De-recognises the assets (including goodwill) and liabilities of the subsidiary
b) De-recognises the carrying amount of any non-controlling interests
c) De-recognises the cumulative translation differences recorded in equity
d) Recognises the fair value of the consideration received
e) Recognises the fair value of any investment retained
f) Recognises any surplus or deficit in profit or loss
g) Reclassifies the parent's share of components previously recognised in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

## 1.2. Use of Estimates and Judgements

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the related disclosures.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future period, if the revision affects current and future period.

### Significant Management Judgements

The following are significant management judgements in applying the accounting policies of the Group that have the most significant effect on the financial statements.

*Classification of Leases*

The Group enters into leasing arrangements for various assets. The classification of the leasing arrangement as a finance lease or operating lease is based on an assessment of several factors, including, but not limited to, transfer of ownership of leased asset at end of lease term, lessee's option to purchase and estimated certainty of exercise of such option, proportion of lease term to the asset's economic life, proportion of present value of minimum lease payments to fair value of leased asset and extent of specialised nature of the leased asset.

*Recognition of Deferred Tax Assets*

The extent to which deferred tax assets can be recognised is based on an assessment of the probability that future taxable income will be available against which the deductible temporary differences and tax loss carry forward can be utilised. In addition, significant judgement is required in assessing the impact of any legal or economic limits or uncertainties in various tax jurisdictions.

Summary of Significant Accounting Policies and other Explanatory Information on consolidated financial statements for the Year ended 31 March 2019 (cont'd)

(All amounts in ₹ lakhs, unless otherwise stated)

*Evaluation of Indicators for Impairment of Assets*

The evaluation of applicability of indicators of impairment of assets requires assessment of several external and internal factors which could result in deterioration of recoverable amount of the assets. In assessing impairment, management estimates the recoverable amount of each asset or cash generating units based on expected future cash flows and uses an interest rate to discount them. Estimation uncertainty relates to assumptions about future operating results and the determination of a suitable discount rate.

*Recoverability of Advances / Receivables*

At each balance sheet date, based on historical default rates observed over expected life, the management assesses the expected credit loss on outstanding receivables and advances.

*Useful Lives of Depreciable / Amortisable Assets*

Management reviews its estimate of the useful lives of depreciable / amortisable assets at each reporting date, based on the expected utility of the assets. Uncertainties in these estimates relate to technical and economic obsolescence that may change the utility of certain items of property, plant and equipment.

*Defined Benefit Obligation (DBO)*

Management's estimate of the DBO is based on a number of critical underlying assumptions such as standard rates of inflation, medical cost trends, mortality, discount rate and anticipation of future salary increases. Variation in these assumptions may significantly impact the DBO amount and the annual defined benefit expenses.

*Fair Value Measurements*

Management applies valuation techniques to determine the fair value of financial instruments (where active market quotes are not available) and non-financial assets. This involves developing estimates and assumptions consistent with how market participants would price the instrument. Management bases its assumptions on observable data as far as possible but this is not always available. In that case management uses the best information available. Estimated fair values may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date.

### 1.3. Revenue Recognition

Revenue from contracts with customers is recognised on transfer of control of promised goods or services to a customer at an amount that reflect the consideration to which the Group is expected to be entitled to in exchange for those goods or services. Revenue towards satisfaction of a Performance obligation is measured at the amount of transaction price (net of variable consideration) allocated to that Performance obligation.

(a) **Sale of Goods**

Revenue from sale of goods is recognised when the control on the goods have been transferred to the customers. The Performance obligation in case of sale of goods is satisfied at a point of time, i.e., when the material is shipped to the customer or on delivery to the customer, as may be specified in the contract.

(b) **Rendering of Services**

Revenue from job work and retreading services are recognised at the completion of the agreed services.

(c) **Interest and Other Income**

Interest income is reported on an accrual basis using the effective interest method and is included under the head "other income" in the Statement of Profit and Loss.

(d) **Lease Income**

Lease income arising from operating leases is accounted for over the lease terms and is included in other operating revenue in the statement of profit or loss.

(e) **Export Incentive**

Income from export incentives are recognised when the right to receive credit as per the terms of the Scheme is established and when there is certainty of realisation.

(All amounts in ₹ lakhs, unless otherwise stated)

## 1.4. Leases

A lease is classified at the inception date as a finance lease or an operating lease. A lease that transfers substantially all the risks and rewards incidental to ownership to the Group is classified as a finance lease. The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

### a) Group as a Lessor

The rental income from operating leases is generally recognised on a straight-line basis over the term of the relevant lease except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight- line basis over the lease term.

Group has entered into operating lease agreements with the customers for permitting the use of fixed assets. The lease term ranges from 3- 5 years. As per the terms of lease agreements, the agreements are cancellable at the option of both the parties by serving due notice. The residual value as per the lease agreements has been considered as the amount guaranteed by the lessees at the end of the lease period and the depreciation on leased assets has been computed accordingly after considering the guaranteed value.

### b) Group as a Lessee

Finance leases are capitalised at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the statement of profit and loss, unless they are directly attributable to qualifying assets, in which case they are capitalized in accordance with the Group’s general policy on the borrowing costs. Contingent rentals are recognised as expenses in the periods in which they are incurred. Operating lease payments are recognised as an expense in the statement of profit and loss on a straight line basis over the lease term.

## 1.5. Employee Benefits

Employee benefits include provident fund, employee state insurance scheme, gratuity and compensated absences. Expenses and liabilities in respect of employee benefits are recorded in accordance with Ind AS 19, Employee Benefits.

### a) Short-term Employee Benefits

Employee benefits payable wholly within twelve months of receiving employee services are classified as short-term employee benefits. These benefits include salaries and wages, performance incentives which are expected to occur in next twelve months. The undiscounted amount of short-term employee benefits to be paid in exchange for employee services is recognised as an expense as the related service is rendered by employees.

### b) Defined Contribution Plans

The Group has defined contribution plans for employees comprising of Provident Fund and Employee’s State Insurance. The contributions paid/payable to these plans during the year are charged to the Statement of Profit and Loss for the year.

Summary of Significant Accounting Policies and other Explanatory Information on consolidated financial statements for the Year ended 31 March 2019 (cont'd)

(All amounts in ₹ lakhs, unless otherwise stated)

c) **Defined Benefit Plans**

The Group has a defined benefit plan (the "Gratuity Plan"). The Gratuity Plan provides a lump sum payment to employees who have completed five years or more of service at retirement, disability or termination of employment, being an amount based on the respective employee's last drawn salary and the number of years of employment with the Group. Presently the Group's gratuity plan is unfunded.

The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows by reference to market yields at the end of the reporting period on government bonds that have terms approximating to the terms of the related obligation. The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets if any. This cost is included in employee benefit expense in the statement of profit and loss.

The liability or asset recognised in the balance sheet in respect of gratuity plan is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets if any. The defined benefit obligation is calculated annually by actuaries using the projected unit credit method.

Re-measurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in the period in which they occur, directly in other comprehensive income and are never reclassified to profit or loss. Changes in the present value of the defined benefit obligation resulting from plan amendments or curtailments are recognised immediately in the statement of profit and loss as past service cost.

The present value of the defined benefit obligation denominated in ₹ is determined by discounting the estimated future cash outflows by reference to market yields at the end of the reporting period on government bonds that have terms approximating to the terms of the related obligation.

Service and interest cost on the Group's defined benefit plan is included in employee benefits expense. Employee contributions, all of which are independent of the number of years of service, are treated as a reduction of service cost.

### 1.6. Foreign Currency Transactions

The functional currency of the Group is the Indian Rupee (INR). These financial statements are presented in INR(₹). In the financial statements of the Group, transactions in currencies other than the functional currency are translated into the functional currency at the exchange rates ruling at the date of the transaction.

Monetary assets and liabilities denominated in other currencies are translated into the functional currency at exchange rates prevailing on the reporting date. Non-monetary assets and liabilities denominated in other currencies and measured at historical cost or fair value are translated at the exchange rates prevailing on the dates on which such values were determined.

All exchange differences are included in the statement of profit and loss except any exchange differences on monetary items designated as an effective hedging instrument of the currency risk of designated forecasted sales or purchases, which are recognized in the other comprehensive income.

### 1.7. Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Summary of Significant Accounting Policies and other Explanatory Information on consolidated financial statements for the Year ended 31 March 2019 (cont'd)

(All amounts in ₹ lakhs, unless otherwise stated)

### 1.8. Government Grants

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, it is treated as deferred income and released to the statement of profit and loss over the expected useful lives of the assets concerned. When the Group receives grants of non-monetary assets, the asset and the grant are recorded at fair value amounts and released to statement of profit and loss over the expected useful life in a pattern of consumption of the benefit of the underlying asset.

### 1.9. Taxation

#### a) Income Tax

Income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date.

Current income tax relating to items recognised outside profit or loss is recognised outside profit or loss (either in other comprehensive income (OCI) or in equity). Current tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Minimum Alternate Tax (MAT) paid in accordance with the tax laws, which gives future economic benefits in the form of adjustment to future income tax liability, is considered as an asset if there is convincing evidence that the Group will pay normal income tax. Accordingly, MAT is recognised as an asset in the Balance Sheet when it is probable that future economic benefit associated with it will flow to the Group.

#### b) Deferred Tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date. Deferred tax liabilities are recognised for all taxable temporary differences, except when it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date. Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss (either in other comprehensive income or in equity). Deferred tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity. Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Summary of Significant Accounting Policies and other Explanatory Information on consolidated financial statements for the Year ended 31 March 2019 (cont'd)

(All amounts in ₹ lakhs, unless otherwise stated)

### 1.10. Property, Plant and Equipment

Property, plant and equipment are stated at cost, less accumulated depreciation and impairment, if any. Costs directly attributable to acquisition are capitalised until the property, plant and equipment are ready for use, as intended by management. Expenditure incurred after the property, plant and equipment have been put into operation, such as repairs and maintenance, are normally charged to the statements of profit and loss in the period in which the costs are incurred. Major inspection and overhaul expenditure is capitalized if the recognition criteria are met.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognized net within other income/other expenses in statement of profit and loss. An item of property, plant and equipment and any significant part initially recognised is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit and loss, when the asset is derecognised. The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

### 1.11. Capital Work in Progress

Assets in the course of construction are capitalized in capital work in progress account. At the point when an asset is capable of operating in the manner intended by management, the cost of construction is transferred to the appropriate category of property, plant and equipment. Costs associated with the commissioning of an asset are capitalised when the asset is available for use but incapable of operating at normal levels until the period of commissioning has been completed. Revenue generated from production during the trial period is credited to capital work in progress.

### 1.12. Depreciation

Assets in the course of development or construction and freehold land are not depreciated. Other property, plant and equipment are stated at cost less accumulated depreciation and any provision for impairment. Depreciation commences when the assets are ready for their intended use.

Depreciation is calculated on the depreciable amount, which is the cost of an asset less its residual value. Depreciation on tangible assets has been provided under Straight Line Method over the useful life of the assets estimated by the management (determined based on technical estimates), which is in line with the terms prescribed in Schedule II to the Companies Act, 2013. Depreciation for assets purchased/sold during the year is proportionately charged. The management estimates the useful life of the Property, Plant and Equipment as follows:

| Asset Category | Useful Life | Asset Category | Useful Life |
|---|---|---|---|
| a) Buildings | 30 Years | f) Manufacturing tools | 7 Years |
| b) Roads - Non RCC | 5 Years | g) Furniture and fixtures | 10 Years |
| c) Plant and machinery at Factory | 8-15 Years | h) Computers | 3 Years |
| d) Plant and machinery at Branches | 15 Years | i) Vehicles | 8 Years |
| e) Plant and machinery given for Lease | 3-5 Years | j) Office equipment | 5 Years |

Summary of Significant Accounting Policies and other Explanatory Information on consolidated financial statements for the Year ended 31 March 2019 (cont'd)

(All amounts in ₹ lakhs, unless otherwise stated)

The Group has evaluated the applicability of component accounting as prescribed under Ind AS 16 and Schedule II of the Companies Act, 2013. The management has not identified any significant component having different useful lives as the Group's assets are not capable of being accounted separately as components. Schedule II requires the Group to identify and depreciate significant components with different useful lives separately.

Note: The useful life of Plant and machinery given under lease is taken as 3 years to 5 years based on the lease agreements. The residual value of the same has been considered as the amount guaranteed by the lessees as per the lease agreements at the end of the lease period. Hence the useful lives and residual values for these assets are different from the useful lives/residual value as prescribed under Part C of Schedule II of the Companies Act 2013. The useful life of vehicles given to employees as per the car policy scheme approved by the Group is taken as 3 years to 5 years based on the tenure of scheme availed by the employee.

Depreciation methods, useful lives and residual values are reviewed at each financial year end and changes in estimates, if any, are accounted for prospectively.

### 1.13. Goodwill and other intangible assets

The excess of cost to the group of it's investment in subsidiary, on the acquisition date over and above the group's share of equity in the subsidiary, is recognised as 'Goodwill' in the consolidated financial statements. The said goodwill is not amortised, however it is tested for impairment at each balance sheet date and impaired loss, if any, is provided for.

Other intangible assets are recorded at the consideration paid for the acquisition of such assets and are carried at cost less accumulated amortisation and impairment. Advances paid towards the acquisition of intangible assets outstanding at each Balance Sheet date are disclosed as other non-current assets and the cost of intangible assets not ready for their intended use before such date are disclosed as intangible assets under development. The Group amortises intangible over their estimated useful lives using the straight-line method. The estimated useful lives of assets are as follows:

| Asset Category | Useful lives (in years) |
|---|---|
| Computer software | 5 |

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the Statement of Profit and Loss when the asset is derecognised. The residual values, useful lives and methods of amortisation of intangible assets are reviewed at each financial year end and adjusted prospectively, if appropriate.

### 1.14. Impairment of non - Financial Assets

The carrying amount of assets is reviewed at each Balance Sheet date if there is any indication of impairment based on internal/external factors. An impairment loss will be recognised wherever the carrying amount of an asset exceeds its estimated recoverable amount. The recoverable amount is greater of the assets net selling price and value in use. In assessing the value in use; the estimated future cash flows are discounted to the present value using the weighted average cost of capital.

### 1.15. Inventories

Inventories are valued at the lower of cost and net realisable value item wise. Cost includes costs incurred in bringing the inventory to its present location and condition are accounted for as follows:

Summary of Significant Accounting Policies and other Explanatory Information on consolidated financial statements for the Year ended 31 March 2019 (cont'd)

(All amounts in ₹ lakhs, unless otherwise stated)

(i) Raw materials:

Cost includes cost of purchase net of duties, taxes that are recoverable from the government and other costs incurred in bringing the inventories to their present location and condition. Cost is determined on FIFO basis using weighted average rate.

(ii) Finished goods and work in progress:

Cost includes cost of direct materials and labour and a proportion of manufacturing overheads based on the normal operating capacity, but excluding borrowing costs. Cost is determined on weighted average basis.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

## 1.16. Provisions and Contingent Liabilities

The assessments undertaken in recognising provisions and contingencies have been made in accordance with the applicable Ind AS. Provisions represent liabilities to the Group for which the amount or timing is uncertain. Provisions are recognized when the Group has a present obligation (legal or constructive), as a result of past events, and it is probable that an outflow of resources, that can be reliably estimated, will be required to settle such an obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows to net present value using an appropriate pre-tax discount rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Unwinding of the discount is recognized in the statement of profit and loss as a finance cost. Provisions are reviewed at each reporting date and are adjusted to reflect the current best estimate.

In the normal course of business, contingent liabilities may arise from litigation and other claims against the Group. Guarantees are also provided in the normal course of business. There are certain obligations which management has concluded, based on all available facts and circumstances, are not probable of payment or are very difficult to quantify reliably, and such obligations are treated as contingent liabilities and disclosed in the notes but are not reflected as liabilities in the financial statements. Although there can be no assurance regarding the final outcome of the legal proceedings in which the Group involved, it is not expected that such contingencies will have a material effect on its financial position or profitability. Contingent assets are not recognised but disclosed in the financial statements when an inflow of economic benefits is probable.

## 1.17. Financial Instruments

### A) Financial Assets

#### a) Initial Recognition and Measurement

All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through statement of profit and loss, transaction costs that are attributable to the acquisition of the financial asset. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

#### b) Subsequent Measurement

Subsequent measurement of financial assets are described below -

Summary of Significant Accounting Policies and other Explanatory Information on consolidated financial statements for the Year ended 31 March 2019 (cont'd)

(All amounts in ₹ lakhs, unless otherwise stated)

**(i) Debt Instruments at Amortised Cost**

A 'debt instrument' is measured at the amortised cost if both the following conditions are met:

(a) The asset is held within a business model whose objective is to hold assets for collecting contractual cash flows, and

(b) Contractual terms of the asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate (EIR) method. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the statement of profit and loss. The losses arising from impairment are recognised in the statement of profit and loss. This category generally applies to trade and other receivables.

**(ii) Debt instrument at fair value through other comprehensive income (FVTOCI)**

A debt instrument' is classified as at the FVTOCI if both of the following criteria are met:

a) The objective of the business model is achieved both by collecting contractual cash flows and selling the financial assets, and

b) The asset's contractual cash flows represent solely payments of principal and interest (SPPI).

Debt instruments included within the FVTOCI category are measured initially as well as at each reporting date at fair value. Fair value movements are recognized in the other comprehensive income (OCI). However, the Group recognizes interest income, impairment losses & reversals and foreign exchange gain or loss in the P&L. On derecognition of the asset, cumulative gain or loss previously recognised in OCI is reclassified from the equity to P&L. Interest earned whilst holding FVTOCI debt instrument is reported as interest income using the Effective Interest Rate (EIR) method.

**(iii) Debt instrument at fair value through Profit or Loss (FVTPL)**

FVTPL is a residual category for debt instruments. Any debt instrument, which does not meet the criteria for categorization as at amortized cost or as FVTOCI, is classified as at FVTPL. In addition, the Group may elect to designate a debt instrument, which otherwise meets amortized cost or FVTOCI criteria, as at FVTPL. However, such election is allowed only if doing so reduces or eliminates a measurement or recognition inconsistency (referred to as 'accounting mismatch'). The Group has designated its investments in debt instruments as FVTPL. Debt instruments included within the FVTPL category are measured at fair value with all changes recognized in the P&L.

**c) Financial assets – derecognition**

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e. removed from the Group's balance sheet) when:

1) The rights to receive cash flows from the asset have expired, or

2) The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass through' arrangement; and either

   a) the Group has transferred substantially all the risks and rewards of the asset, or

   b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

(All amounts in ₹ lakhs, unless otherwise stated)

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

**d) Impairment of financial assets**

In accordance with Ind AS 109 Financial Instruments, the Group applies expected credit loss (ECL) model for measurement and recognition of impairment loss for financial assets. The Group follows 'simplified approach' for recognition of impairment loss allowance on trade receivables. The application of simplified approach does not require the Group to track changes in credit risk. Rather, it recognises impairment loss allowance based on lifetime ECLs at each reporting date, right from its initial recognition.

For recognition of impairment loss on other financial assets and risk exposure, the Group determines that whether there has been a significant increase in the credit risk since initial recognition. If credit risk has not increased significantly, 12-month ECL is used to provide for impairment loss. However, if credit risk has increased significantly, lifetime ECL is used. If, in a subsequent period, credit quality of the instrument improves such that there is no longer a significant increase in credit risk since initial recognition, the Group reverts to recognising impairment loss allowance based on 12-month ECL. Lifetime ECL are the expected credit losses resulting from all possible default events over the expected life of a financial instrument. The 12-month ECL is a portion of the lifetime ECL which results from default events that are possible within 12 months after the reporting date.

ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the entity expects to receive (i.e., all cash shortfalls), discounted at the original EIR. ECL impairment loss allowance (or reversal) recognized during the period is recognized as income/ expense in the statement of profit and loss. This amount is reflected under the head 'other expenses' in the statement of profit and loss. The balance sheet presentation for various financial instruments are described below:

1) **Financial assets measured as at amortised cos**t:

ECL is presented as an allowance, i.e., as an integral part of the measurement of those assets in the balance sheet. The allowance reduces the net carrying amount. Until the asset meets write-off criteria, the Group does not reduce impairment allowance from the gross carrying amount.

2) **Debt instruments measured at FVTPL:**

Since financial assets are already reflected at fair value, impairment allowance is not further reduced from its value. The change in fair value is taken to the statement of Profit and Loss.

(All amounts in ₹ lakhs, unless otherwise stated)

3) **Debt instruments measured at FVTOCI:**

Since financial assets are already reflected at fair value, impairment allowance is not further reduced from its value. Rather, ECL amount is presented as accumulated impairment amount' in the OCI.

For assessing increase in credit risk and impairment loss, the Group combines financial instruments on the basis of shared credit risk characteristics with the objective of facilitating an analysis that is designed to enable significant increases in credit risk to be identified on a timely basis. The Group does not have any purchased or originated credit-impaired (POCI) financial assets, i.e., financial assets which are credit impaired on purchase/ origination.

## B) Financial Liabilities

### a) Recognition and Measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through statement of profit and loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs. The Group’s financial liabilities include trade and other payables, loans and borrowings including bank overdrafts, financial guarantee contracts and derivative financial instruments. The measurement of financial liabilities depends on their classification, as described below:

1) **Financial liabilities at fair value through statement of Profit and Loss**

Financial liabilities at fair value through statement of profit and loss - Financial liabilities at fair value through statement of profit and loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through statement of profit and loss. Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by Ind AS 109. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

2) **Gains or losses on liabilities held for trading are recognised in the statement of Profit & Loss**

Financial liabilities designated upon initial recognition at fair value through statement of profit and loss are designated as such at the initial date of recognition, and only if the criteria in Ind AS 109 are satisfied.

3) **Liabilities designated as FVTPL**

Fair value gains/ losses attributable to changes in own credit risk are recognized in OCI. These gains/ losses are not subsequently transferred to statement of profit and loss. However, the Group may transfer the cumulative gain or loss within equity. All other changes in fair value of such liability are recognised in the statement of profit and loss. The Group has not designated any financial liability as at fair value through statement of profit and loss.

Summary of Significant Accounting Policies and other Explanatory Information on consolidated financial statements for the Year ended 31 March 2019 (cont'd)

(All amounts in ₹ lakhs, unless otherwise stated)

b) **Financial Liabilities - Derecognition**

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit and loss.

### C) Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount is reported in the balance sheet if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

#### Initial Recognition and Subsequent Measurement

In order to hedge its exposure to foreign exchange, interest rate, and commodity price risks, the Group enters into forward, futures and other derivative financial instruments. The Group does not hold derivative financial instruments for speculative purposes. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. Any gains or losses arising from changes in the fair value of derivatives are taken directly to statement of profit and loss, except for the effective portion of cash flow hedges, which is recognised in other comprehensive income and later reclassified to statement of profit and loss when the hedge item affects profit and loss or treated as basis adjustment if a hedged forecast transaction subsequently results in the recognition of a non-financial asset or non-financial liability. For the purpose of hedge accounting, hedges are classified as:

1) Fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment.
2) Cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognised firm commitment.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes the Group's risk management objective and strategy for undertaking hedge, the hedging/ economic relationship, the hedged item or transaction, the nature of the risk being hedged, hedge ratio and how the entity will assess the effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

### D) Loans and Borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate (hereinafter referred as EIR) method. Gains and losses are recognized in statement of profit and loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit and loss.

Summary of Significant Accounting Policies and other Explanatory Information on consolidated financial statements for the Year ended 31 March 2019 (cont'd)

(All amounts in ₹ lakhs, unless otherwise stated)

### 1.18. Fair Value Measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. Fair value of the financial instruments is classified in various fair value hierarchies based on the following three levels.

a) Level 1- Quoted prices (unadjusted) is the active market price for identical assets or liabilities

b) Level 2 - Inputs other than quoted price included within level 1 that are observable for the assets or liability, either directly

c) Level 3 - Inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

### 1.19. Cash and cash equivalents

Cash and cash equivalent in the balance sheet comprise cash at banks and on hand and short-term deposits with an original maturity of three months or less, which are subject to an insignificant risk of changes in value. For the purpose of the cash flow statement, cash and cash equivalents consist of cash and short-term deposits, as defined above.

### 1.20. Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision Maker. The Group is engaged in the business of manufacture and sale of tread rubber (pre-cured tread rubber, conventional tread), Rubber compounds, cushion/ bonding gum and black vulcanizing cement, which form broadly part of one product group and hence constitute a single business segment.

### 1.21. Earnings/ (Loss) per Equity Share (EPS)

The Group presents basic and diluted earnings per share ("EPS") data for its equity shares. Basic EPS is calculated by dividing the profit or loss attributable to equity shareholders of the Group by the weighted average number of equity shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to equity shareholders and the weighted average number of equity shares outstanding for the effects of all dilutive potential equity shares.

(All amounts in ₹ lakhs, unless otherwise stated)

### 1.22. Recent accounting pronouncements

#### (1) Ind AS 116 'Leases'

On March 30, 2019, Ministry of Corporate Affairs ('MCA') has clarified that Ind AS 116 is effective for annual periods beginning on or after April 1, 2019 and it replaces Ind AS 17 Leases, including appendices thereto. Ind AS 116 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under Ind AS 17. The standard includes two recognition exemptions for lessees - leases of 'low-value' assets and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. The Group is evaluating the requirements of the amendment and the effect on the financial statements is being evaluated.

#### (2) Amendment to Ind AS 12, Income taxes

On March 30, 2019, Ministry of Corporate Affairs ("MCA") has notified Appendix C to Ind-AS 12 Income taxes – "Uncertainty over Income Tax Treatments". The amendment to Ind AS 12 requires the entities to consider recognition and measurement requirements when there is uncertainty over income tax treatments. In such a circumstance, an entity shall recognise and measure its current or deferred tax asset or liability accordingly. The effective date of amendment is April 1, 2019. Further, there has been amendments in relevant paragraphs in Ind-AS 12 "Income Taxes" which clarifies that an entity shall recognize the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognized those past transactions or events in accordance with Ind-AS 109. The Group is evaluating the requirements of the amendments and their impact on the financial statements.

#### (3) Amendment to Ind AS 23, Borrowing costs

On March 30, 2019, Ministry of Corporate Affairs ("MCA") issued an amendment to Ind-AS 23 "Borrowing Costs" clarifies that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalization rate on general borrowings. This amendment is effective for annual periods beginning on or after April 1, 2019. This amendment is not expected to have a material impact on the Group.

Summary of Significant Accounting Policies and other Explanatory Information on consolidated financial statements for the Year ended 31 March 2019 (cont'd)

(All amounts in ₹ lakhs, unless otherwise stated)

## 2.1. Property, plant and equipment ('PPE') and Capital work-in progress

| | Land – freehold | Buildings | Plant and Machinery | Plant and machinery under lease | Furniture and fixtures | Office Equipment | Computers | Vehicles | Manufacturing Tools | Total | Capital work in progress |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Gross carrying Amount:** | | | | | | | | | | | |
| **Balance as at 31 March 2017** | **132.70** | **271.73** | **793.46** | **217.03** | **21.61** | **4.54** | **17.90** | **122.55** | **180.41** | **1,761.93** | **35.98** |
| Additions | -- | -- | 150.46 | 15.17 | -- | -- | 1.65 | 26.32 | 7.24 | 200.84 | 358.98 |
| Capitalised during the Year | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | (142.32) |
| Disposals | -- | -- | -- | (8.43) | -- | -- | -- | -- | -- | (8.43) | -- |
| **Balance as at 31 March 2018** | **132.70** | **271.73** | **943.92** | **223.77** | **21.61** | **4.54** | **19.55** | **148.87** | **187.65** | **1,954.34** | **252.64** |
| Subsidiary assets (refer note a.) | -- | -- | -- | -- | -- | -- | 0.76 | -- | -- | -- | -- |
| Additions | -- | -- | -- | -- | 0.55 | 0.39 | 9.61 | 2.66 | 16.47 | 29.68 | 112.31 |
| Capitalised during the Year | 12.93 | 70.33 | 262.77 | -- | 0.20 | -- | -- | -- | -- | 346.23 | -- |
| Disposals | -- | -- | (10.99) | (9.31) | (0.62) | (0.08) | (0.68) | (13.21) | -- | (34.89) | (346.87) |
| Asset given on lease | -- | -- | (24.66) | 24.66 | -- | -- | -- | -- | -- | -- | -- |
| **Balance as at 31 March 2019** | **145.63** | **342.06** | **1,171.04** | **239.12** | **21.74** | **4.85** | **30.62** | **138.32** | **204.12** | **2,297.50** | **18.08** |
| **Accumulated Depreciation** | | | | | | | | | | | |
| **Balance as at 31 March 2017** | **--** | **12.09** | **92.71** | **14.87** | **2.47** | **1.38** | **7.66** | **15.40** | **31.29** | **177.87** | **--** |
| Depreciation Charge for the Year | -- | 12.99 | 104.13 | 19.29 | 2.45 | 1.29 | 5.41 | 27.72 | 32.70 | **205.98** | -- |
| Disposals | -- | -- | -- | (1.03) | -- | -- | -- | -- | -- | **(1.03)** | -- |
| **Balance as at 31 March 2018** | **--** | **25.08** | **196.84** | **33.13** | **4.92** | **2.67** | **13.07** | **43.12** | **63.99** | **382.82** | **--** |
| Accumulated depreciation to Subsidiary assets | -- | -- | -- | -- | -- | -- | 0.34 | -- | -- | 0.34 | -- |
| Depreciation Charge for the Year | -- | 14.15 | 154.40 | 19.36 | 2.44 | 1.01 | 5.61 | 26.71 | 34.62 | 258.30 | -- |
| Disposals | -- | -- | (8.98) | (2.16) | (0.16) | (0.08) | (0.59) | (8.82) | -- | (20.79) | -- |
| Asset given on lease | -- | -- | (6.81) | 6.81 | -- | -- | -- | -- | -- | -- | -- |
| **Balance as at 31 March 2019** | **--** | **39.23** | **335.45** | **57.14** | **7.20** | **3.60** | **18.43** | **61.01** | **98.61** | **620.67** | **--** |
| **Net Block** | | | | | | | | | | | |
| **Balance as at 31 March 2018** | **132.70** | **246.65** | **747.08** | **190.64** | **16.69** | **1.87** | **6.48** | **105.75** | **123.66** | **1,571.52** | **252.64** |
| **Balance as at 31 March 2019** | **145.63** | **302.83** | **835.59** | **181.98** | **14.54** | **1.25** | **12.19** | **77.31** | **105.51** | **1676.84** | **18.08** |

Notes:

a) Consequent to the acquisition of equity shares of Shipnext Solutions Private Limited, gross block and accumulated depreciation include the property, plant and equipment as on the date of acquisition of Shipnext Solutions Private Limited. (Refer note 2.36)

b) Contractual Obligations

Refer note 2.29

c) Capitalised borrowing cost

There is no borrowing costs capitalised during the year ended 31 March 2019 (31 March 2018: Nil).

d) Property, Plant and Equipment Pledged as Security

Refer note 2.12 and 2.27

e) Useful life and method of depreciation

Refer note 1.11

Summary of Significant Accounting Policies and other Explanatory Information on consolidated financial statements for the Year ended 31 March 2019 (cont'd)

(All amounts in ₹ lakhs, unless otherwise stated)

## 2.2. Intangible Assets

| | Software | Total |
|---|---|---|
| **Gross block** | | |
| Balance as at 31 March 2017 | 15.61 | 15.61 |
| Additions | 10.51 | 10.51 |
| Balance as at 31 March 2018 | 26.12 | 26.12 |
| Additions | 9.63 | 9.63 |
| Balance as at 31 March 2019 | 35.75 | 35.75 |
| **Accumulated Amortisation** | | |
| Balance as at 31 March 2017 | 4.10 | 4.10 |
| Amortisation for the period | 4.69 | 4.69 |
| Balance as at 31 March 2018 | 8.79 | 8.79 |
| Additions | 5.45 | 5.45 |
| Amortisation for the period | 6.00 | 6.00 |
| Balance as at 31 March 2019 | 20.24 | 20.24 |
| **Net block** | | |
| Balance as at 31 March 2018 | **17.33** | **17.33** |
| Balance as at 31 March 2019 | **15.51** | **15.51** |

### 2.2.1. Intangible assets under development

| | | |
|---|---|---|
| **Balance as at 31 March 2018** | -- | -- |
| Additions | 24.95 | 24.95 |
| Disposals | -- | -- |
| Capitalised during the year | -- | -- |
| **Balance as at 31 March 2019** | 24.95 | 24.95 |

## 2.3. Trade Receivables

| | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| **Non- Current** | | |
| Trade Receivables considered good – Unsecured | 2.49 | 5.76 |
| | **2.49** | **5.76** |
| **Current** | | |
| (a) Trade Receivables considered good – Secured | 277.06 | 263.02 |
| (b) Trade Receivables considered good - Unsecured | 2,375.62 | 2,304.15 |
| (c) Trade Receivables which have significant increase in Credit Risk | 62.13 | 2.94 |
| | **2,714.81** | **2,570.11** |
| Less: Provision for Doubtful Receivables | (62.13) | (2.94) |
| | **2,652.68** | **2,567.17** |

## 2.4. Loans

| | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| Non-current | | |
| *(Unsecured, considered good)* | | |
| Loans and Advances | 2.00 | 1.57 |
| | **2.00** | **1.57** |
| Current | | |
| *(Unsecured, considered good)* | | |
| Loans and Advances | 1.72 | 8.14 |
| | **1.72** | **8.14** |

Summary of Significant Accounting Policies and other Explanatory Information on consolidated financial statements for the Year ended 31 March 2019 (cont'd)

(All amounts in ₹ lakhs, unless otherwise stated)

### 2.5. Other Financials Assets

| | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| **Non-current** | | |
| Security Deposits | 49.12 | 69.74 |
| Margin Money Deposits with banks against bank guarantees | 35.85 | 1.87 |
| | **84.97** | **71.61** |
| **Current** | | |
| Security Deposits | 23.87 | -- |
| Interest accrued on Margin Money | -- | 1.54 |
| Others | 3.51 | 3.39 |
| | **27.38** | **4.93** |

### 2.6. Other Assets

| | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| **Non-current** | | |
| *(Unsecured, Considered Good)* | | |
| Prepaid Expenses | 4.68 | 0.82 |
| Balances with statutory authority | 24.97 | 22.98 |
| Capital Advance | 2.95 | 4.48 |
| | **32.60** | **28.28** |
| **Current** | | |
| *(Unsecured, Considered Good)* | | |
| Prepaid Expenses | 10.18 | 14.57 |
| Balances with statutory authority | 0.09 | 15.80 |
| Advance for Expenses | 6.13 | 16.05 |
| Other Current Assets | 2.57 | 7.43 |
| | **18.97** | **53.85** |

### 2.7. Inventories

| | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| Raw Materials | 63.64 | 96.08 |
| Work in Progress | 54.94 | 74.67 |
| Finished Goods | 708.20 | 613.32 |
| Goods in Transit ( Finished Goods) | 8.51 | 0.11 |
| Packing Materials | 8.79 | 11.20 |
| Fuel & Oil | 3.19 | 7.66 |
| Tools & Spares | 14.27 | 9.79 |
| Less: Provision for inventory | (0.66) | -- |
| | **860.88** | **812.83** |

The value of finished goods includes stock in trade worth ₹ 41.39 lakhs (Previous year- ₹ 92.35 lakhs)
Provision is created on slow moving finished goods amounting to ₹ 0.66 lakhs.
Inventory pledged as security - *Refer Note no 2.27*
Method of inventory Valuation - *Refer Note no 1.15*

Summary of Significant Accounting Policies and other Explanatory Information on consolidated financial statements for the Year ended 31 March 2019 (cont'd)

(All amounts in ₹ lakhs, unless otherwise stated)

### 2.8. Cash and Cash Equivalents

| | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| Cash in Hand | 3.36 | 0.78 |
| Balances with Banks | | |
| - in Current Accounts | 92.09 | 121.47 |
| | **95.45** | **122.25** |

### 2.9. Bank balances other than 2.9 (above)

| | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| Unpaid Dividend accounts | 7.96 | 7.90 |
| Margin Money Deposits with banks against bank guarantees [ref note below] | 13.57 | 35.95 |
| | **21.53** | **43.85** |

The amount classified under Margin money accounts consists of amount deposited with banks towards margin money for Bank Guarantee, Letter of Credit and Vendor bill discounting facilities.

### 2.10. Share capital

| | As at 31 March 2019 | | As at 31 March 2018 | |
|---|---|---|---|---|
| | Number (In Lakhs) | Amount | Number (In Lakhs) | Amount |
| (a) **Authorised share capital** | | | | |
| Equity shares of ₹ 10 each | 60.00 | 600.00 | 60.00 | 600.00 |
| Preference Share Capital of ₹ 100 each | 10.00 | 1000.00 | 10.00 | 1000.00 |
| | **70.00** | **1600.00** | **70.00** | **1600.00** |
| (b) **Issued, subscribed and paid-up equity capital** | | | | |
| Equity shares of ₹ 10 each, fully paid up | 52.32 | 523.20 | 52.32 | 523.20 |
| Shares Forfeited | -- | 17.98 | -- | 17.98 |
| | **52.32** | **541.18** | **52.32** | **541.18** |

| (c) **Reconciliation of the Number of Shares and Amount Outstanding at the beginning and at the end of the reporting period:** | As at 31 March 2019 | | As at 31 March 2018 | |
|---|---|---|---|---|
| | Number (In Lakhs) | Amount | Number (In Lakhs) | Amount |
| **Equity Shares of ₹ 10 each, par value** | | | | |
| Balances as at the beginning of the year | 52.32 | 523.20 | 52.32 | 523.20 |
| Add: Issued and Subscribed during the Year | -- | -- | -- | -- |
| Shares Forfeited | -- | 17.98 | -- | 17.98 |
| **Balance at the end of the Year** | **52.32** | **541.18** | **52.32** | **541.18** |

| (b) **Details of Shareholders Holding more than 5% Shares:** | As at 31 March 2019 | | As at 31 March 2018 | |
|---|---|---|---|---|
| | Number (In Lakhs) | Percentage | Number (In Lakhs) | Percentage |
| **Equity shares of ₹10 each, par value** | | | | |
| Feroz Meeran | 13.51 | 25.81% | 13.51 | 25.81% |
| Navas Meeran | 13.22 | 25.27% | 13.22 | 25.26% |
| Kerala State Industrial Development Corporation Limited | 6.15 | 11.75% | 6.15 | 11.75% |

Summary of Significant Accounting Policies and other Explanatory Information on consolidated financial statements for the Year ended 31 March 2019 (cont'd)

(All amounts in ₹ lakhs, unless otherwise stated)

(e) **Terms Rights, Attached to Equity Shares**

The Holding Company has only one class of shares referred to as equity shares with a face value of ₹10 each. Each holder of equity share is entitled to one vote per share. The Holding Company declares and pays dividend in Indian Rupees. The dividend proposed/declared by the Board of Directors is subject to approval / regularisation of the shareholders in the ensuing Annual General Meeting. In the event of liquidation of the Holding Company, the holders of equity shares will be entitled to receive remaining assets of the Company after distribution of all preferential amounts, in proportion to the number of equity shares held by the shareholders.

(f) **Issue of Bonus Shares**

There has been no issuance of bonus shares or share buyback during five years immediately preceding 31 March 2019.

| (g) **Details of Forfeited shares** | As at 31 March 2019 | | As at 31 March 2018 | |
|---|---|---|---|---|
| | Number (In Lakhs) | Amount | Number (In Lakhs) | Amount |
| Equity shares with voting rights* | 3.595 | 17.98 | 3.595 | 17.98 |

*These shares were forfeited on 13 August 2014

## 2.11. Other Equity

| | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| Capital Redemption Reserve | 100.00 | 100.00 |
| Other Equity | 744.41 | 744.41 |
| General Reserves | 97.46 | 97.46 |
| Retained Earnings | (689.40) | (492.88) |
| | **252.47** | **448.99** |

**Nature and purpose of each reserve:**

**Capital Redemption Reserve:**

The Holding Company had redeemed 100,000 numbers of Zero coupon cumulative Redeemable Preference Shares of ₹100/- each amounting to ₹1 Crore during the FY 2016-17 and the amount equal to the face value of such number of shares has been transferred to Capital redemption reserve.

**Other Equity:**

The balance in the other equity represents the owners' equity component of the Preference shares reclassified in accordance with Ind AS 32.

**General Reserve:**

General reserve was created from time to time by way of transfer of profits from retained earnings for appropriation purposes.

**Retained earnings:**

Retained earnings are the profits/(loss) that the Group has earned till date, less any transfers to general reserve, dividends or other distributions paid to shareholders.

Summary of Significant Accounting Policies and other Explanatory Information on consolidated financial statements for the Year ended 31 March 2019 (cont'd)

(All amounts in ₹ lakhs, unless otherwise stated)

## 2.12. Borrowings

| | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| **Non-current** | | |
| *(Secured, from banks)* | | |
| Term Loan | 180.00 | 323.13 |
| Vehicle Loan | 60.94 | 88.04 |
| *(Unsecured)* | | |
| Liability Component of Cumulative Redeemable Preference Shares | 656.38 | 596.76 |
| | **897.32** | **1,007.93** |
| Amount disclosed under "Other Current Financial Liabilities" *(refer note 2.13)* | (101.06) | (181.06) |
| | **796.26** | **826.87** |
| **Current** | | |
| *(Secured, from banks)* | | |
| Cash Credit | 1,947.03 | 1,555.32 |
| (Unsecured) | | |
| Kerala State Industrial Development Corporation Limited | 23.00 | -- |
| Loan from Director | 0.38 | 25.00 |
| | **1,970.41** | **1,580.32** |

**Notes:**

**(i) Term Loans from Banks**

a) Term loan from The Federal Bank Ltd is secured by way of first charge on the movable fixed assets and are further guaranteed by the Promoter Directors of the Holding Company. The above loans are further secured by Collateral security by deposit of title deeds of the land and building of the Holding Company.

b) These loans are repayable ranging from a period of 36 months to 60 months with equal monthly installments ranging from ₹2 lakhs to ₹6 lakhs. The rate of interest is 9.95% p.a.

**(ii) Vehicle Loan**

(a) The vehicle loans are secured by hypothecation of the vehicle with HDFC Bank Limited.

(b) These loans are repayable ranging from a period of 36 months to 60 months with equal monthly installments ranging from ₹10,241 to ₹57,181.The rate of interest ranges from 8.92 % to 11.50% p.a.

**(iii) Liability Component of Cumulative Redeemable Preference Shares**

(a) The Holding Company had issued 10 lakhs Zero Coupon Cumulative redeemable preference shares of ₹100 each to the promoters, which are redeemable after 5 years from the date of allotment subject to achieving net worth of ₹100 lakhs (without considering the said preference shares)

(b) The Board Meeting held on 22 July 2016 had approved the redemption plan of the Preference Shares. Ten Lakhs Redeemable Preference Shares of ₹100/- each shall be redeemed out of the profits of the Holding Company in not more than 10 annual installments of a minimum of 100,000 Preference Shares of ₹100/- each aggregating to ₹1 crore per year. During the FY 16-17, the Holding Company had redeemed 100,000 nos of Zero coupon cumulative Redeemable Preference Shares of ₹100/- each valued at ₹1 Crore. In accordance with Ind AS 32, these preference shares are classified as amortised cost liability as the preference shares provides for redemption on specific date or at the option of the holder.

Summary of Significant Accounting Policies and other Explanatory Information on consolidated financial statements for the Year ended 31 March 2019 (cont'd)

(All amounts in ₹ lakhs, unless otherwise stated)

**(iv) Cash Credit**

(a) The Cash Credit from The Federal Bank Ltd is secured by way of first charge on the floating assets and second charge on the fixed assets of the Holding Company and are further guaranteed by the Promoter Directors of the Holding Company. The above loans are further secured by Collateral security by deposit of title deeds of the land and building of the Holding Company.

(b) The rate of interest for the Cash credit facility with Federal Bank Limited is 10.15% p.a.

**(v) Loan from Kerala State Industry Development Corporation Limited**

The subsidiary company Shipnext Solutions Private Limited has obtained a seed fund assistance which is repayable on demand from Kerala State Industry Development Corporation Limited (KSIDC) at an interest rate of 7.75%.

**(vi) Loan from Director**

(a) The interest free unsecured loan was accepted from director by the Holding Company to meet working capital requirements.

(b) As per the terms of borrowings the Holding Company reserves the right to repay either the full amount or part of the unsecured loan in case it does not require the same to meet its working capital requirements. Hence the loan will be repaid on demand and hence classified as short term borrowings.

(c) During the year the Holding Company has repaid the entire amount.

(d) The interest free unsecured loan amounting to Rs. 0.38 lakhs was given to subsidiary company by its directors, which is repayable on demand.

## 2.13. Other Financial Liabilities

| | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| **Non-current** | | |
| Deposit from Employees | 8.25 | 8.66 |
| | **8.25** | **8.66** |
| **Current** | | |
| Current maturities of Long Term Borrowings | 101.06 | 181.06 |
| Security Deposit /Retention Money Payable | 152.08 | 162.11 |
| Due to Employees | 114.78 | 42.21 |
| Creditors for Capital Goods | 22.96 | 14.80 |
| Unpaid Dividends | 7.96 | 7.90 |
| Others | 5.04 | -- |
| | **403.88** | **408.08** |

## 2.14. Provisions

| | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| **Non-current** | | |
| Provision for Employee Benefits | 101.38 | 69.23 |
| | **101.38** | **69.23** |
| **Current** | | |
| Provision for Employee Benefits | 7.19 | 6.33 |
| | **7.19** | **6.33** |

Summary of Significant Accounting Policies and other Explanatory Information on consolidated financial statements for the Year ended 31 March 2019 (cont'd)

(All amounts in ₹ lakhs, unless otherwise stated)

**2.15. Deferred Tax Liabilities, Net**

| | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| **Deferred Tax Liability** | | |
| On excess of net book value over Income Tax written down value of fixed assets | 44.65 | 66.27 |
| Deferred Tax impact on fair value changes | 86.74 | 103.02 |
| | **131.39** | **169.29** |
| **Deferred Tax Assets** | | |
| On Provisions | -- | (11.83) |
| **Deferred Tax Liabilities, net** | **131.39** | **157.46** |

**2.16. Other Liabilities**

| | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| **Non-current** | | |
| Advance Lease Rent | 7.64 | 15.84 |
| Others | 1.44 | 2.30 |
| | **9.08** | **18.14** |
| **Current** | | |
| Advance Lease Rent | 7.57 | 7.55 |
| Advances from Customers | 32.88 | 20.95 |
| Statutory dues payable | 48.23 | 6.12 |
| Others | 16.67 | 11.87 |
| | **105.35** | **46.49** |

**2.17. Trade Payables**

| | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| Dues to Micro Enterprises and Small Enterprises (Refer Note (a) below) | 64.34 | 41.33 |
| Dues to others | | |
| a) related parties | 0.66 | -- |
| b) others | 1,204.12 | 1,435.66 |
| | **1,269.12** | **1,476.99** |

Dues to micro and small enterprises as defined under the Micro, Small and Medium Enterprises Development Act (MSMED), 2006 to the extent identified and information available with the Group pursuant to Section 22 of the Micro, Small and Medium Enterprises Development Act (MSMED), 2006, details are mentioned below:

| | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| i) Principal amount remaining unpaid (but within due date as per the Micro, Small and Medium Enterprises Development Act, 2006) | 64.34 | 41.33 |
| ii) Interest due thereon remaining unpaid | -- | -- |
| iii) Interest paid by the Company in terms of Section 16 of the Micro, Small and Medium Enterprises Development Act, 2006, along-with the amount of the payment made to the supplier beyond the appointed day during the period. | -- | -- |
| iv) Interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the period) but without adding interest specified under the Micro, Small and Medium Enterprises Act, 2006 | -- | -- |
| v) Interest accrued and remaining unpaid | -- | -- |
| vi) Interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprises | -- | -- |
| **Total** | 64.34 | 41.33 |

Summary of Significant Accounting Policies and other Explanatory Information on consolidated financial statements for the Year ended 31 March 2019 (cont'd)

(All amounts in ₹ lakhs, unless otherwise stated)

### 2.18. Revenue from Operations

| | Year ended 31 March 2019 | Year ended 31 March 2018 |
|---|---|---|
| **Sale of Products** | 9,540.86 | 9,344.76 |
| **Other Operating Revenue** | | |
| Retreading Charges | 168.32 | 125.80 |
| Lease Rent Received | 33.00 | 26.99 |
| Sale of Scrap and Waste | 3.58 | 6.77 |
| Others | 0.12 | 35.04 |
| | **205.02** | **194.60** |
| | **9,745.88** | **9,539.36** |

Sale of products includes excise duty of ₹ Nil (31 March 2018: ₹100.84 lakhs)

### 2.18.1 Reconciliation of Revenue from sale of goods with the contracted price

| | | |
|---|---|---|
| Contracted price | 9,899.06 | 9,680.42 |
| Less : Trade discount, rebates etc | (358.20) | (335.66) |
| Net Revenue recognised from Contracts with Customers | **9,540.86** | **9,344.76** |

### 2.19. Other Income

| | Year ended 31 March 2019 | Year ended 31 March 2018 |
|---|---|---|
| Interest Income | 6.56 | 4.05 |
| Miscellaneous income | 40.47 | 18.27 |
| | **47.03** | **22.32** |

### 2.20. Cost of Materials Consumed

| | Year ended 31 March 2019 | Year ended 31 March 2018 |
|---|---|---|
| Opening Inventory | 96.08 | 222.51 |
| Add: Purchases | 6,292.80 | 5,298.78 |
| Less: Closing Inventory | (63.64) | (96.08) |
| | **6,325.24** | **5,425.21** |

### 2.21. Changes in Stock of Finished Goods, Traded Goods and Work-in-Progress

| | Year ended 31 March 2019 | Year ended 31 March 2018 |
|---|---|---|
| ***Opening Stock*** | | |
| Finished Goods (including goods in transit) | 613.43 | 730.52 |
| Work-in-Progress | 74.67 | 39.01 |
| | **688.10** | **769.53** |
| ***Less: Closing Stock*** | | |
| Finished Goods (including goods in transit) | 716.71 | 613.43 |
| Work-in-Progress | 54.94 | 74.67 |
| | **771.65** | **688.10** |
| | **(83.55)** | **81.43** |

Summary of Significant Accounting Policies and other Explanatory Information on consolidated financial statements for the Year ended 31 March 2019 (cont'd)

(All amounts in ₹ lakhs, unless otherwise stated)

## 2.22. Employee Benefits Expense

| | Year ended 31 March 2019 | Year ended 31 March 2018 |
|---|---|---|
| Salaries, Wages and Bonus | 863.12 | 733.56 |
| Contributions to Provident and other Funds [refer note (a)] | 71.03 | 58.78 |
| Gratuity [refer note (b) ] | 16.46 | 10.44 |
| Staff Welfare Expenses | 52.24 | 45.30 |
| | **1,002.85** | **848.08** |

(a) Eligible employees of the Group receive benefits under the Provident Fund which is a defined contribution plan wherein both the employee and the Group make monthly contributions equal to a specific percentage of covered employees' salary. These contributions are made to the Fund administered and managed by the Government of India and the Group has no further obligation beyond making its contribution. The Group's monthly contributions are charged to Statement of Profit and Loss in the period in which they are incurred:

| | Year ended 31 March 2019 | Year ended 31 March 2018 |
|---|---|---|
| Employer's contribution to Provident Fund | 52.67 | 46.74 |
| Employer's contribution to ESI | 16.36 | 11.88 |
| Labour welfare and other funds | 2.00 | 0.16 |

(b) In accordance with the payment of gratuity under 'Payment of Gratuity Act, 1972' of India, the Company provides for gratuity, a defined retirement benefit plan covering eligible employees. Liability with regard to such gratuity is determined by an independent actuarial valuation using the Projected Unit Credit method and is charged to the Statement of Profit and Loss in the year. Re-measurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in the period in which they occur, directly in other comprehensive income. They are included in retained earnings in the statement of changes in equity and in the Balance Sheet. The following table set out the status of the gratuity plan as required under Ind AS 19, Employee Benefits:

| **Change in defined benefit obligations** | Year ended 31 March 2019 | Year ended 31 March 2018 |
|---|---|---|
| Present value of defined benefit obligations at beginning of the year | 77.21 | 56.82 |
| Current service cost | 10.91 | 5.96 |
| Interest cost | 5.55 | 4.48 |
| Benefits settled | (10.91) | -- |
| Actuarial (gain)/ loss | 26.83 | 9.95 |
| Present value of defined benefit obligations at the end of the year | **109.59** | **77.21** |

| **Reconciliation of present value of Obligation and the fair value of assets** | Year ended 31 March 2019 | Year ended 31 March 2018 |
|---|---|---|
| Present value of the defined benefit obligation at end of the year | 109.59 | 77.21 |
| Fair Value of plan assets | (1.02) | (1.65) |
| Liability recognised in the Balance Sheet | **108.57** | **75.56** |

| **Change in defined Benefit Obligations** | Year ended 31 March 2019 | Year ended 31 March 2019 |
|---|---|---|
| Fair Value of the Plan Assets at the beginning of the period | 1.65 | 0.46 |
| Expected Return on Plan assets | 0.12 | -- |
| Contributions by employer | 10.82 | 1.19 |
| Benefits paid from the fund | (10.91) | -- |
| Actual Gain/Loss | (0.66) | -- |
| Fair Value of the Plan Assets at the end of the period | 1.02 | **1.65** |

Summary of Significant Accounting Policies and other Explanatory Information on consolidated financial statements for the Year ended 31 March 2019 (cont'd)

(All amounts in ₹ lakhs, unless otherwise stated)

| **Components of net Gratuity Cost** | Year ended 31 March 2019 | Year ended 31 March 2018 |
|---|---|---|
| Current service cost | 10.91 | 5.96 |
| Interest cost | 5.55 | 4.48 |
| Net gratuity costs charged to profit or loss | **16.46** | **10.44** |

| **Components Actuarial Losses/(Gains) in Other Comprehensive Income** | Year ended 31 March 2019 | Year ended 31 March 2018 |
|---|---|---|
| Return on Plan Assets (Greater) / Less than Discount rate | 0.66 | -- |
| Actuarial (gain) / losses due to financial assumption changes in defined benefit obligations | (2.18) | -- |
| Actuarial (gain) / losses due to experience on defined benefit obligations | 29.01 | (9.95) |
| Total actuarial (gain) / loss included in other comprehensive income | **27.49** | **(9.95)** |

**Assumptions Used**

| | | |
|---|---|---|
| Discount Rate | 7.75% | 8.00% |
| Salary escalation rate * | 3.00% | 3.00% |
| Retirement age | 58 | 58 |

* Estimates of future salary increases takes into account inflation, seniority, promotions and other relevant factors such as supply and demand in employment market.

### Sensitivity Analysis

### Description of Risk Exposures

Valuations are performed on certain basic set of pre-determined assumptions which may vary over time. Thus, the Company is exposed to various risks in providing the above benefit which are as follows:

**Interest Rate Risk** - The plan exposes the Company to the risk of fall in interest rates. A fall in interest rates will result in an increase in the ultimate cost of providing the above benefit and will thus result in an increase in the value of liability (as shown in financial statements).

**Liquidity Risk** - This is the risk that the Company is not able to meet the short term benefit payouts. This may arise due to non availability of enough cash/cash equivalent to meet the liabilities or holding of illiquid assets not being sold in time.

**Salary Escalation Risks** - The present value of the above benefit plan is calculated with the assumption of salary increase rate of plan participants in future. Deviation in the rate of increase in salary in future for plan participants from the rate of increase in salary used to determine the present value of obligation will have a bearing on the plan's liability.

**Regulatory Risk** - The probability or likelihood of occurrence of losses relative to the expected return on any particular investment.

**Investment Risk** - The probability or likelihood of occurrence of losses relative to the expected return on any particular investment.

Significant actuarial assumptions for the determination of the defined benefit obligation are discount rate, expected salary increase and mortality. The sensitivity analysis below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period, while holding all other assumptions constant. A quantitative sensitivity analysis for significant assumption is as shown below:

Summary of Significant Accounting Policies and other Explanatory Information on consolidated financial statements for the Year ended 31 March 2019 (cont'd)

(All amounts in ₹ lakhs, unless otherwise stated)

| Assumption | Year ended 31 March 2019 | | Year ended 31 March 2018 | |
|---|---|---|---|---|
| | Increase | Decrease | Increase | Decrease |
| Discount rate (- / + 1%) | (8.39) | 9.47 | (5.79) | 10.00 |
| Salary growth rate (- / + 1%) | 9.79 | (8.77) | 9.21 | (5.47) |
| Attrition rate (- / + 1%) | 3.14 | (3.67) | 41.67 | (38.62) |

Sensitivity analysis presented above may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated. There are no changes from the previous period in the methods and assumptions used in preparing the sensitivity analysis.

### 2.23. Finance Costs

| | Year ended 31 March 2019 | Year ended 31 March 2018 |
|---|---|---|
| Interest Expense | 257.03 | 249.92 |
| Interest on Income tax | -- | 3.53 |
| Other Borrowing Costs | 104.57 | 73.47 |
| | **361.60** | **326.92** |

### 2.24. Depreciation and Amortisation Expense

| | Year ended 31 March 2019 | Year ended 31 March 2018 |
|---|---|---|
| Depreciation on Tangible Assets (refer note 2.1) | 258.30 | 205.98 |
| Amortisation on Intangible Assets (refer note 2.2) | 6.00 | 4.69 |
| | **264.30** | **210.67** |

### 2.25. Other Expenses

| | Year ended 31 March 2019 | Year ended 31 March 2018 |
|---|---|---|
| Repairs and Maintenance: | | |
| Building | 13.33 | 3.11 |
| Plant and Machinery | 11.67 | 9.41 |
| Others | 31.35 | 32.85 |
| Rent | 66.75 | 70.22 |
| Insurance | 12.48 | 14.78 |
| Professional Charges | 34.84 | 29.36 |
| Payments to the auditor (refer note 2.25.1 ) | 11.02 | 10.93 |
| Travelling Expenses | 126.06 | 107.95 |
| Business Promotion Expenses | 91.23 | 110.25 |
| Freight Charges | 171.09 | 146.39 |
| Claim Settlement | 10.49 | 4.49 |
| Tools and Spares Consumed | 13.11 | 15.55 |
| Commission | 48.67 | 25.65 |
| Power and Fuel | 351.19 | 273.69 |
| Rates and Taxes excluding Taxes on Income | 17.93 | 50.76 |
| Job Work Charges | 40.22 | 109.28 |
| Consumables | 52.07 | 35.47 |
| Packing Materials Consumed | 156.44 | 141.79 |
| General Factory Expenses | 92.51 | 68.25 |
| Provision for doubtful receivables | 59.19 | 2.94 |
| Provision for inventory | 0.66 | -- |
| Bad Debts | 31.96 | 1.31 |
| Miscellaneous Expenses | 44.42 | 46.94 |
| | **1,488.68** | **1,311.37** |

Summary of Significant Accounting Policies and other Explanatory Information on consolidated financial statements for the Year ended 31 March 2019 (cont'd)

(All amounts in ₹ lakhs, unless otherwise stated)

### 2.26.1. Payments to the Auditor

| | Year ended 31 March 2019 | Year ended 31 March 2018 |
|---|---|---|
| For Statutory audit | 10.30 | 10.00 |
| Reimbursement of expenses | 0.72 | 0.93 |
| | 11.02 | 10.93 |

### 2.26. Earning/(Loss) Per Equity Share

| | Year ended 31 March 2019 | Year ended 31 March 2018 |
|---|---|---|
| Net (loss) /profit after tax attributable to equity shareholders | (176.68) | (229.39) |
| Weighted number of ordinary shares for basic EPS in lakhs | 52.32 | 52.32 |
| Nominal value of ordinary share (in ₹ per share) | 10.00 | 10.00 |
| Basic and Diluted earnings for ordinary shares (in ₹ per share) | (3.38) | (4.38) |

### 2.27. Assets pledged as Security

| The carrying amounts of assets pledged as security for current and non-current borrowings are: | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| **Current** | | |
| **First Charge** | | |
| Financial Assets | | |
| Trade Receivables | 2,652.68 | 2,567.17 |
| Cash and Cash Equivalents | 95.35 | 122.25 |
| Bank Balances other than Cash and Cash Equivalents above | 21.53 | 43.85 |
| Loans | 28.49 | 8.14 |
| Other Financial Assets | 27.38 | 4.93 |
| Inventories | 860.88 | 812.83 |
| Other Current Assets | 18.97 | 53.85 |
| **Total Current Assets Pledged as Securities** | **3,705.28** | **3,613.02** |
| **Non-Current** | | |
| **First Charge** | | |
| Property, Plant and Equipment (PPE) and Capital Work in Progress | 1,693.43 | 1,824.16 |
| **Total Non-Current Assets Pledged as Securities** | **1,693.43** | **1,824.16** |
| **Total Assets Pledged as Security** | **5,398.71** | **5,437.18** |

### 2.28. Related Party Disclosures

1. **Name of the related party and nature of relationship where control exists**

**Key Management Personnel (KMP)**

| | |
|---|---|
| Navas M. Meeran | Chairman |
| M.E. Mohamed | Managing Director |
| Rajesh S. | Chief Executive Officer (upto 11 November 2018) |
| Mohammed Sherif Shah | Chief Financial Officer |
| Baiju T. | Company Secretary |

Summary of Significant Accounting Policies and other Explanatory Information on consolidated financial statements for the Year ended 31 March 2019 (cont'd)

(All amounts in ₹ lakhs, unless otherwise stated)

**In case of Subsidiary - Key Management Personnel (KMP)**

| | |
|---|---|
| Clive Jose | Chief Executive Officer (from 12 November 2018) |
| Jaijin P Austin | Chief Technology Officer (from 12 November 2018) |
| Athul Mathew Benjamin | Director Technology (from 12 November 2018) |

**Entities where significant influence is exercised by the director, KMP and/or their relatives having transactions with the Company**

1. Eastern Condiments Private Limited
2. Eastern Mattresses Private Limited
3. Eastern Retreads Private Limited
4. Eastea Chai Private Limited
5. Feroz Treads Private Limited
6. Sheram Treads Private Limited
7. Sumo Treads Private Limited
8. Vazhakkulam Rubbers
9. Alfa Rubbers
10. Rosekhan Industries
11. Sahara Treads
12. Soya Rubbers Private Limited
13. Nilima Treads Private Limited

**2. Transactions with Related Parties as per the books of account during the period**

| Subsidiary and entities where significant influence is exercised by the director, KMP and/or their relatives having transactions with the Company | | |
|---|---|---|
| **Nature of Transaction** | Year ended 31 March 2019 | Year ended 31 March 2018 |
| Eastern Condiments Private Limited | | |
| Sharing of Expenses | 10.28 | 11.95 |
| Eastern Mattresses Private Limited | | |
| Sale of Finished Goods | 0.04 | -- |
| Eastern Retreads Private Limited | | |
| Sale of Finished Goods | 320.45 | 223.07 |
| Purchase of Goods | 0.25 | 0.03 |
| Sharing of Expenses | 0.63 | 0.51 |
| Job work payment | 1.64 | -- |
| Eastea Chai Private Limited | | |
| Sharing of Expenses | 1.07 | 0.37 |
| Feroz Treads Private Limited | | |
| Purchase of Goods | -- | 130.32 |
| Sale of Finished Goods | -- | 4.56 |
| Job Work Receipt | -- | 2.87 |
| Vazhakulam Rubbers | | |
| Purchase of Goods | 52.20 | 37.13 |
| Sale of Finished Goods | 29.01 | 69.97 |
| Job Work Payment | -- | 0.27 |
| Job Work Receipt | 0.14 | -- |
| Sumo Treads Private Limited | | |
| Purchase of Goods | -- | 28.45 |
| Sale of Raw Materials | -- | 0.02 |
| Job Work Receipt | -- | 0.65 |
| Soya Rubbers Private Limited | | |
| Security Services provided | 8.82 | 7.12 |
| Nilima Treads Private Limited | | |
| Purchase of Goods | -- | 1.30 |
| Alfa Rubbers | | |
| Purchase of Goods | -- | 134.40 |
| Sale of Finished Goods | -- | 4.71 |
| Job Work Receipt | -- | 3.20 |

Summary of Significant Accounting Policies and other Explanatory Information on consolidated financial statements for the Year ended 31 March 2019 (cont'd)

(All amounts in ₹ lakhs, unless otherwise stated)

| Subsidiary and entities where significant influence is exercised by the director, KMP and/or their relatives having transactions with the Company – Contd: | | |
|---|---|---|
| **Nature of Transaction** | Year ended 31 March 2019 | Year ended 31 March 2018 |
| Rosekhan Industries | | |
| Purchase of Goods | -- | 366.39 |
| Sale of Raw Materials | -- | 259.64 |
| Job Work Payment | 3.72 | 75.24 |
| Job Work Receipt | -- | 3.31 |
| Sale of Finished Goods& scrap | -- | 66.82 |
| Sahara Treads | | |
| Purchase of Goods | -- | 385.98 |
| Sale of Raw Materials | -- | 226.78 |
| Job Work Payment | 1.63 | 44.76 |
| Sale of Finished Goods | -- | 5.81 |
| Job Work Receipt | -- | 2.65 |
| Sharing of expenses | 1.96 | -- |
| Rent deposit paid | 1.80 | -- |

| Key Managerial Person (KMP) | | |
|---|---|---|
| **Nature of Transaction – Remuneration and Other reimbursements** | Year ended 31 March 2019 | Year ended 31 March 2018 |
| Mr. Rajesh S * *(up to 11 November 2018)* | 16.38 | 26.22 |
| Mr. Baiju T | 10.73 | 11.10 |
| Mr. K.A. Mohammed Sherif Shah * | 18.66 | 17.82 |
| Mr. Clive Jose | 5.79 | -- |
| Mr. Athul Mathew Benjamin | 9.53 | -- |
| Mr. Jaijin P Austin | 15.07 | -- |

Remuneration paid to Mr. Clive Jose, Mr. Athul Mathw Benjamin and Mr. Jaijin P Austin is from 12 November 2018)

| **Nature of Transaction - Loan** | Year ended 31 March 2019 | Year ended 31 March 2018 |
|---|---|---|
| Mr. Navas Meeran | | |
| Loan accepted | -- | 25.00 |
| Loan repaid | 25.00 | -- |

## 3. Amount Outstanding as at end of each reporting periods

| **Amount receivables/ (payables):** | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| Entities where significant influence is exercised by the director, KMP and/or their relatives having transactions with the Company | | |
| Eastern Retreads Private Limited | 123.54 | 72.90 |
| Vazhakulam Rubbers | -- | 74.30 |
| Soya Rubbers Private Limited | (0.76) | 7.41 |
| Sahara Treads | (0.66) | -- |
| Rosekhan Industries | -- | 40.86 |
| Key Management Personnel | | |
| Mr. Navas Meeran | -- | (25.00) |
| Mr. Baiju T | (0.46) | (0.46) |
| Mr. Mohammed Sherif Shah | (0.79) | (0.79) |

Summary of Significant Accounting Policies and other Explanatory Information on consolidated financial statements for the Year ended 31 March 2019 (cont'd)

(All amounts in ₹ lakhs, unless otherwise stated)

### 2.29. Contingent Liabilities And Commitments (To The Extent Not Provided For)

| | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| **a) Claims against the company not acknowledged as debt** | | |
| i) Sales Tax matters | 34.27 | 14.10 |
| ii) Income Tax matters | 20.97 | 20.97 |
| **b)** Bank Guarantees outstanding | 298.61 | 91.38 |
| **c)** Guarantee provided to IDBI Bank Limited for Vendor bill Discounting facility | -- | 750.00 |
| **d) Commitments** | | |
| Estimated amounts of contracts remaining to be executed not provided for | -- | 7.09 |

### 2.30. Financial Risk Management

The Group's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk. The group's focus is to foresee the unpredictability of financial markets and seek to minimize potential adverse effects on its financial performance. The Group's exposure to credit risk is influenced mainly by the individual characteristic of each customer.

The group's risk management activity focuses on actively securing the group's short to medium-term cash flows by minimising the exposure to volatile financial markets. Long-term financial investments are managed to generate lasting returns. The group does not actively engage in the trading of financial assets for speculative purposes nor does it write options. The most significant financial risks to which the group is exposed are described below:

#### A. Credit Risk Analysis

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the group. The group is exposed to credit risk for receivables, cash and cash equivalents, short term investments and financial guarantee.

#### Cash and cash equivalents and short term investments

The group considers factors such as track record, size of institution, market reputation and service standard to select the banks with which deposits are maintained. Generally the balances are maintained with the institutions with which the group has also availed borrowings. The group does not maintain significant deposit balances other than those required for its day to day operations.

#### Trade receivables

The group is exposed to credit risk from its operating activities primarily from trade receivables amounting to ₹2,655.17 and ₹2,572.93 as of 31 March 2019 and 31 March 2018 respectively. The group has standard operating procedure for obtaining sufficient security like bank guarantees where appropriate, as a means of mitigating the risk of financial loss from defaults.

The credit quality of the group's customers is monitored on an ongoing basis and assessed for impairment where indicators of such impairment exist. The history of trade receivables shows a negligible provision for bad and doubtful debts. The solvency of customers and their ability to repay the receivable is considered in assessing receivables for impairment. Therefore, the group does not expect any material risk on account of non-performance by any of the group's counterparties. Where receivables are impaired, the group actively seeks to recover the amounts in question and enforce the compliance with credit terms.

#### Movement in the allowances for expected credit loss

| **Particulars** | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| **Balance at the beginning** | 2.94 | -- |
| Credit Loss Recognised | 59.19 | 2.94 |
| Credit Loss Reversed | -- | -- |
| **Balance at the end** | 62.13 | 2.94 |

(All amounts in ₹ lakhs, unless otherwise stated)

### B. Liquidity Risk

The group requires funds both for short-term operational needs as well as for long-term growth projects. The group generates sufficient cash flows from the current operations which together with the available cash and cash equivalents provide liquidity both in the short-term as well as in the long-term. In addition group has also availed short term / long term finance from banks as and when required.

The group remains committed to maintaining a healthy liquidity, gearing ratio and strengthening the balance sheet. The maturity profile of the group's financial liabilities based on the remaining period from the date of balance sheet to the contractual maturity date is given in the table below. The figures reflect the contractual undiscounted cash obligation of the group.

#### Maturities of financial liabilities

| As at 31 March 2019 | < 1year | 1-5 years | >5years | Total |
|---|---|---|---|---|
| Borrowings | 2,071.47 | 139.88 | -- | 2,211.35 |
| Preference Share Redemption | 300.00 | 500.00 | 100.00 | 900.00 |
| Other Financial Liabilities | 302.82 | 8.25 | -- | 311.07 |
| Trade Payables | 1,269.12 | -- | -- | 1,269.12 |
| | **3,943.41** | **648.13** | **100.00** | **4,691.54** |
| **As at 31 March 2018** | **< 1year** | **1-5 years** | **>5years** | **Total** |
| Borrowings | 1,761.38 | 230.11 | -- | 1,991.49 |
| Preference Share Redemption | 200.00 | 500.00 | 200.00 | 900.00 |
| Other Financial Liabilities | 227.03 | 8.66 | -- | 235.69 |
| Trade Payables | 1,476.99 | -- | -- | 1,476.99 |
| | **3,665.40** | **738.77** | **200.00** | **4,604.17** |

### C. Interest Rate Risk

The group is exposed to interest rate risk on short-term (cash credit) and long-term (term loans). The borrowings of the group are principally denominated in Indian Rupees. These exposures are reviewed by appropriate levels of management on a regular basis. There are no foreign currency borrowings made by the group during the reporting periods. The Group's investments in fixed deposits all pay fixed interest rates. The impact on the Group's loss before tax due to change in interest rate is given below:

| Interest Sensitivity: | Change in interest rate | Effect on Profit before Tax | |
|---|---|---|---|
| | | 31 March 2019 | 31 March 2018 |
| Interest rates – increase by 100 basis points (100 bps) | 1.00% | (21.27) | (18.78) |
| Interest rates – decrease by 100 basis points (100 bps) | -1.00% | 21.27 | 18.78 |

## 2.31. Capital Management

The group's objectives when managing capital is to safeguard continuity, maintain a strong credit rating and healthy capital ratios in order to support its business and provide adequate return to shareholders through continuing growth and maximise the shareholders value. The group's overall strategy remains unchanged from previous year. The group sets the amount of capital required on the basis of annual business and long-term operating plans. The group's policy is to use short term and long-term borrowings to meet anticipated funding requirements. For the purpose of calculating gearing ratio, debt is defined as non-current and current borrowings (excluding derivatives). Equity includes all capital and reserves of the group attributable to equity holders of the group.

Summary of Significant Accounting Policies and other Explanatory Information on consolidated financial statements for the Year ended 31 March 2019 (cont'd)

(All amounts in ₹ lakhs, unless otherwise stated)

| | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| Short Term Borrowings | 1,970.41 | 1,580.32 |
| Long term borrowings | 796.26 | 826.87 |
| Current maturities of long term borrowings | 101.06 | 181.06 |
| Less: Cash and cash equivalents | (95.45) | (122.25) |
| Less: Bank balances other than cash and cash equivalents | (21.53) | (43.85) |
| Net Debt | **2750.75** | **2,422.15** |
| Equity share capital | 541.18 | 541.18 |
| Other equity | 252.47 | 448.99 |
| **Total capital (equity + net debt)** | **3544.40** | **3,412.32** |
| Gearing Ratio | 78% | 71% |

## 2.32. Disclosure with respect to Operating Leases

The lease expenses for cancellable operating leases during the year ended 31 March 2019: ₹66.75 (31 March 2018: ₹70.22). The group's significant leasing arrangements in respect of operating leases for office premises, which includes cancellable leases generally range between 11 months to 60 months and are usually renewable by mutual consent on mutually agreeable terms. The aggregate lease rentals payable are charged as rent under note 2.25 to the financial statements.

Details of leasing arrangements as lessor:

The Group has entered into operating lease agreements with the customers for permitting the use of plant and machinery. The lease term ranges from 3- 5 years. As per the terms of lease agreements, the agreements are cancellable at the option of both the parties by serving due notice.

| | Year ended 31 March 2019 | Year ended 31 March 2018 |
|---|---|---|
| Net block value of plant and machinery given on lease (refer note 2.1) | 181.98 | 190.64 |
| Future minimum lease payments | | |
| - not later than one year | 22.86 | 26.67 |
| - later than one year and not later than five years | 21.00 | 42.90 |

## 2.33. Income Tax

| | Year ended 31 March 2019 | Year ended 31 March 2018 |
|---|---|---|
| **Current tax** | | |
| Current income tax charge | -- | -- |
| **Deferred tax** | | |
| Relating to the origination and reversal of temporary differences | (18.66) | (18.32) |
| **Income tax expense recognised in Statement of Profit and Loss** | **(18.66)** | **(18.32)** |
| **Deferred tax related to items recognised in Other comprehensive income (OCI)** | | |
| Income tax relating to re-measurement gains on defined benefit plans | (7.65) | (3.44) |

Summary of Significant Accounting Policies and other Explanatory Information on consolidated financial statements for the Year ended 31 March 2019 (cont'd)

(All amounts in ₹ lakhs, unless otherwise stated)

| **Reconciliation of Deferred Tax (net)** | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| Opening balance | 157.70 | 179.22 |
| Tax credit during the year recognized in statement of profit and loss | (18.66) | (18.32) |
| Tax credit during the year recognised in OCI | (7.65) | (3.44) |
| **Closing balance** | **131.39** | **157.46** |

| **Reconciliation of tax expense and the accounting profit multiplied by India's domestic tax rate** | Year ended 31 March 2019 | Year ended 31 March 2018 |
|---|---|---|
| **Accounting loss before tax and exceptional item** | (200.18) | (247.71) |
| Tax on accounting profit at statutory income tax rate [27.82%] | (55.69) | (68.91) |
| Tax effects on account of: | | |
| Non deductible expenses | 12.23 | 5.99 |
| Change in tax rates | -- | (12.99) |
| Deferred tax assets not recognized due to lack of virtual certainty | 24.80 | 57.59 |
| **Tax charge for the year** | **(18.66)** | **(18.32)** |
| Income tax expense recognised in the Statement of Profit and Loss | (18.66) | (18.32) |

## 2.34. Fair Value Measurements

### (i) Financial Instruments by Category

The carrying value and fair value of financial instruments by categories are as follows:

| Particulars | 31 March 2019 | | | 31 March 2018 | | |
|---|---|---|---|---|---|---|
| | Amortised cost | Financial assets / liabilities at FVTPL | Financial assets / liabilities at FVTOCI | Amortised cost | Financial assets / liabilities at FVTPL | Financial assets / liabilities at FVTOCI |
| **Financial Assets:** | | | | | | |
| **Non-current** | | | | | | |
| i) Trade Receivables | 2.49 | -- | -- | 5.76 | -- | -- |
| ii) Loans | 2.00 | -- | -- | 1.57 | -- | -- |
| iii) Other Financial Assets | 84.97 | -- | -- | 71.61 | -- | -- |
| **Current** | | | | | | |
| i) Trade Receivables | 2,652.68 | -- | -- | 2,567.17 | -- | -- |
| ii) Cash and Cash Equivalents | 95.45 | -- | -- | 122.25 | -- | -- |
| iii) Bank Balances other than (ii) above | 21.53 | -- | -- | 43.85 | -- | -- |
| iv) Loans | 1.72 | -- | -- | 8.14 | -- | -- |
| v) Other Financial Assets | 27.38 | -- | -- | 4.93 | -- | -- |
| **Total financial assets** | **2,888.22** | **--** | **--** | **2,825.28** | **--** | **--** |
| **Financial Liabilities:** | | | | | | |
| **Non-current** | | | | | | |
| i) Borrowings | 796.26 | -- | -- | 826.87 | -- | -- |
| ii) Other Financial Liabilities | 8.25 | -- | -- | 8.66 | -- | -- |
| **Current** | | | | | | |
| i) Borrowings | 1,970.41 | -- | -- | 1,580.32 | -- | -- |
| ii) Trade Payables | 1,269.12 | -- | -- | 1,476.99 | -- | -- |
| iii) Other Financial Liabilities | 403.88 | -- | -- | 408.08 | -- | -- |
| **Total Financial Liabilities** | **4,447.92** | **--** | **--** | **4,300.92** | **--** | **--** |

(All amounts in ₹ lakhs, unless otherwise stated)

The management assessed that the fair value of cash and cash equivalents, trade receivables, loans, other financial assets, trade payables, working capital loans and other financial liabilities approximate the carrying amount largely due to short-term maturity of this instruments.

**(ii) Fair value of financial assets and liabilities measured at amortised cost**

The management assessed that for amortised cost instruments, fair value approximate largely to the carrying amount.

**(iii) Fair value hierarchy**

Financial assets and financial liabilities measured at fair value in the statement of financial position are grouped into three Levels of a fair value hierarchy. The three Levels are defined based on the observability of significant inputs to the measurement, as follows:

Level 1: Quoted prices (unadjusted) is the active market price for identical assets or liabilities.

Level 2: Inputs other than quoted price included within level 1 that are observable for the assets or liability, either directly

Level 3: Inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

The fair value of trade receivables, trade payables and other current financial assets and liabilities is considered to be equal to the carrying amounts of these items due to their short- term nature.

## 2.35. Segment Information

The Group is engaged in the manufacture and sale of products which form part of one product group which represents one operating segment, as the Chief Operating Decision Maker (CODM), reviews business performance at an overall company level. Entity-wide disclosure as required by Ind AS 108 "Operating Segment" are as follows:

i) Revenues from external customers for each product or each group of similar products:

| Particulars | Year ended 31 March 2019 | Year ended 31 March 2018 |
|---|---|---|
| Sales of products | 9,540.86 | 9,344.76 |
| | **9,540.86** | **9,344.76** |

ii) Revenues from external customers attributed to the Company's country of domicile and attributed to all foreign countries from which the Company derives revenues:

| Particulars | Year ended 31 March 2019 | Year ended 31 March 2018 |
|---|---|---|
| India | 8,991.12 | 9,032.86 |
| Outside India | 549.74 | 311.90 |
| | **9,540.86** | **9,344.76** |

iii) Non-current assets (other than financial instruments and deferred tax assets) located in the Company's country of domicile and in all foreign countries in which the Company holds assets:

| Particulars | Year ended 31 March 2019 | Year ended 31 March 2018 |
|---|---|---|
| India | 1,784.00 | 1,869.77 |
| Outside India | -- | -- |
| | **1,784.00** | **1,869.77** |

(All amounts in ₹ lakhs, unless otherwise stated)

iv) The following table gives details in respect of percentage of revenues generated from top customer and revenues from transactions with customers amounts to 10 percent or more of Company's revenues from product sale:

| Particulars | Year ended 31 March 2019 | Year ended 31 March 2018 |
|---|---|---|
| Revenue from top customer | 1,139.60 | 730.00 |

## 2.36. Goodwill

On 12 November 2018, the Holding Company has made an equity investment of ₹2.59 lakhs, acquired 55% equity shares of Shipnext Solutions Private Limited.

(a) Fair value of identifiable assets and liabilities as on the date of acquisition:

| | **Amount** |
|---|---|
| **Non Current assets** | |
| Property, plant and equipment | 4.62 |
| **Total Assets (A)** | 4.62 |
| **Current liabilities** | |
| Borrowings | 23.01 |
| Trade Payable | 1.10 |
| Other financial liabilities | 4.92 |
| Total liabilities (B) | 29.03 |
| Net Assets (A) - (B) | (24.41) |

(b) Computation of Goodwill

| | **Amount** |
|---|---|
| Fair value of net assets as on the date of acquisition | (24.41) |
| i. Share of identifiable net asset attributable to Non-Controlling Interest | (10.98) |
| ii. Share of identifiable net asset attributable to Holding Company | (13.43) |
| iii. Consideration paid by the Holding Company | 2.59 |
| Goodwill (ii-iii) | (16.02) |

The Holding Company has prepared and presented Consolidated financial statement in accordance with Ind AS 110," Consolidated Financial Statements" for the first time. The financial statements of Shipnext Solutions Private Limited from the date of acquisition have been consolidated with Eastern Treads Limited's financial statements.

## 2.37. Subsequent events

There were no material subsequent events after the reporting date which requires any adjustments or disclosures relating to reported assets and liabilities at the end of the reporting period.

Summary of Significant Accounting Policies and other Explanatory Information on consolidated financial statements for the Year ended 31 March 2019 (cont'd)

(All amounts in ₹ lakhs, unless otherwise stated)

**2.38. Additional information, as required under Schedule III of the Companies Act, 2013, of entities consolidated as Subsidiary:**

| Name of the Entity | Net Assets As on 31 March 2019 | | Share in Profit or Loss for the year ended 31 March 2019 | | Share in Other Comprehensive Income for the year ended 31 March 2019 | | Share in Total Comprehensive Income for the year ended 31 March 2019 | |
|---|---|---|---|---|---|---|---|---|
| | As a % of Consolidated Net Assets | Amount | As a % of Consolidated Profit or Loss | Amount | As a % of Consolidated OCI | Amount | As a % of Total Comprehensive Income | Amount |
| **Parent**<br>Eastern Treads Limited* | 102.03 | 793.65 | 97.34 | (176.68) | 100.00 | (19.84) | 97.60 | (196.52) |
| **Subsidiary - Indian**<br>Shipnext Solutions Private Limited | (2.03) | (15.82) | 2.66 | (4.84) | -- | -- | 2.40 | (4.84) |
| Total | **100.00** | **777.83** | **100.00** | **(181.52)** | **100.00** | **(19.84)** | **100.00** | **(201.36)** |

* After adjusting inter Company transactions and balances and includes Goodwill arising on account of acquisition.

This is the summary of significant accounting policies and other explanatory information consolidated financial statements for the Year as referred to in our report of even date.

For **Walker Chandiok & Co LLP**
Chartered Accountants
Firm's Registration No: 001076N/N500013

**For and on behalf of the Board of Directors of Eastern Treads Limited**

**Krishnakumar Ananthasivan**
Partner
Membership No: 206229

**Mohammed Sherif Shah**
Chief Financial Officer

**Baiju T.**
Company Secretary

**Navas M. Meeran**
Chairman
DIN: 00128692

Kochi
27 May 2019

Notes : ........

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