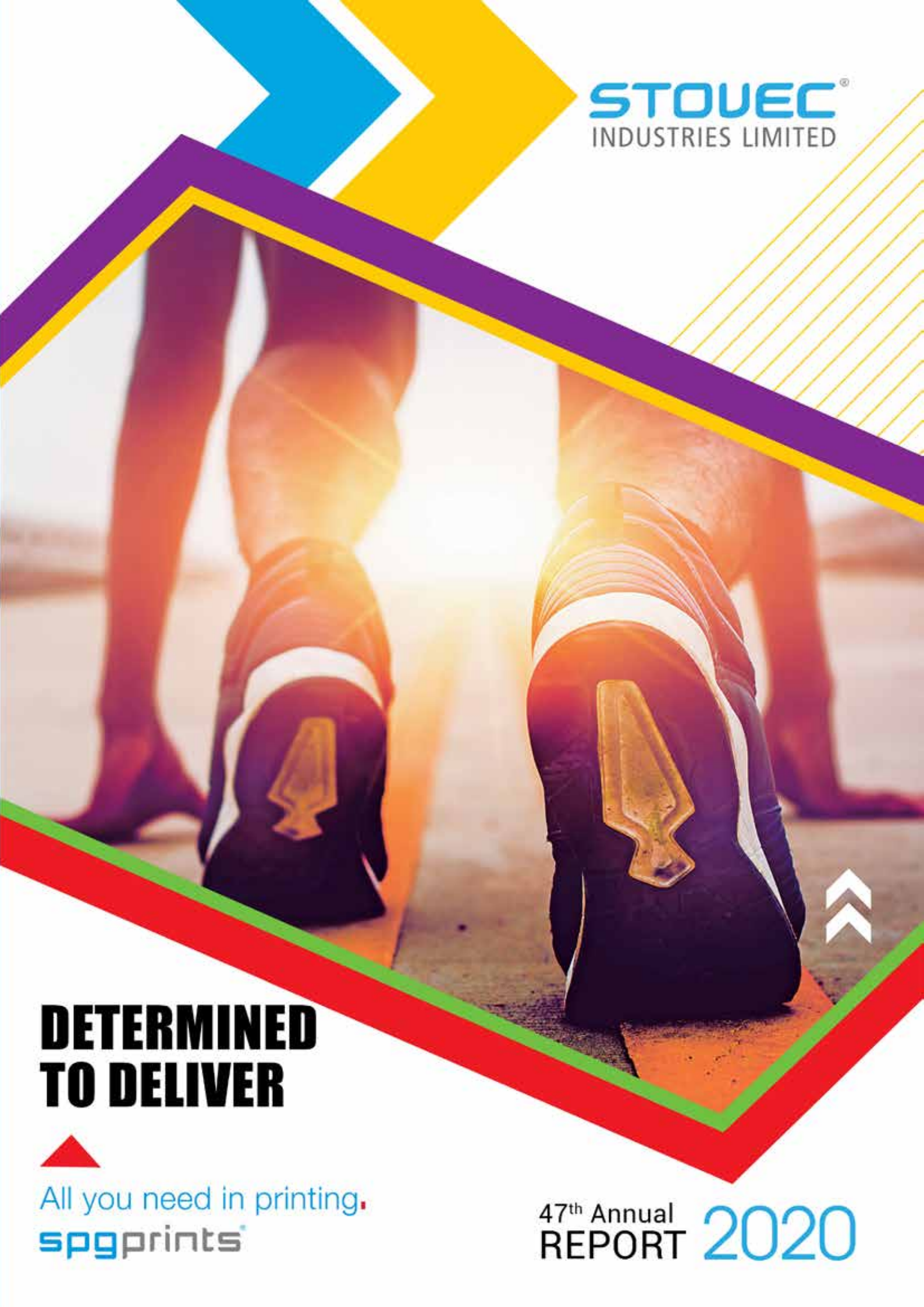


**STOVEC**<sup>®</sup>  
INDUSTRIES LIMITED



**DETERMINED  
TO DELIVER**



All you need in printing.  
**spgprints**<sup>®</sup>

47<sup>th</sup> Annual  
**REPORT 2020**

# What's lined up...

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## Investor Information

### CIN

L45200GJ1973PLC050790

### BSE Code

STOVACQ

### Bloomberg Code

STOV:IN

### Dividend recommended

₹ 22.00 per share

### AGM Date

Tuesday, May 11, 2021

### AGM Venue

Through Video Conferencing (VC)

Please find our online version at: <https://www.spgprints.com/spgprints-group/companies-agents/stovec-industries-ltd>

Or simply scan to download



### Disclaimer:

This document contains statements about expected future events and financials of Stovec Industries Limited, which are forward-looking. By their nature, forward-looking statements require the Company to make assumptions and are subject to inherent risks and uncertainties. There is significant risk that the assumptions, predictions and other forward-looking statements may not prove to be accurate. Readers are cautioned not to place undue reliance on forward-looking statements as a number of factors could cause assumptions, actual future results and events to differ materially from those expressed in the forward-looking statements. Accordingly, this document is subject to the disclaimer and qualified in its entirety by the assumptions, qualifications and risk factors referred to in the Management Discussion and Analysis section of this Annual Report.

They say, ***Determination is the wake-up call to the human will.***

***Determination improves us,*** makes positive changes in our lives, and upsurges our chances of success.

At Stovec, we believe challenges come with opportunities to think and deliver more. ***Despite an unprecedented year, the Company's determination led to quality output, meet our customers' anticipations*** without compromising highest safety standards for our employees.

For our stakeholders, we realigned our strategies and proactively adopted measures to rationalise cost and maintain a healthy balance sheet.

With a legacy of over four decades, deep customer insights and world-class innovation, we remained at the forefront of the textile printing industry. Supported by our invaluable expertise, we continuously responded to our customers' changing needs with our reliable printing solutions and services.

Our goal is to continue expanding our offerings with focus on sustainable growth and enhanced trust of our stakeholders.

₹ **4,171.33** Mn  
Market capitalisation as on  
December 31, 2020

₹ **1,501.17** Mn  
Revenue FY 2020

₹ **179.77** Mn  
EBIDTA\* for FY 2020

\*Earnings before Interest, Taxes, Depreciation, and Amortisation



# Stovec Industries Limited

## Our Identity

Stovec Industries Limited ('the Company' or 'Stovec') was incorporated in 1973 and entered into technical collaboration with SPGPrints (then known as Stork Screens B.V.) in 1974 which also acquired the stake in Stovec subsequently. Since then Stovec is a part of SPGPrints Group. The Netherlands head-quartered SPGPrints, established in 1947, entered the textile market in 1953. Over the decades, the Group has advanced into being a pioneer in providing integrated solutions for rotary screen printing in the textile, label and industrial markets, globally.

**48**

Years of Experience

**20**

Years of Consistent  
Dividend Pay-Out

**248**

Dedicated Employees



## Vision and Values



### Higher Purpose

To set the future standards of printing



### Mission

To be the reliable printing partner that leads the market into the future



### Our Brand Promise

All you need in printing



## Our Product Offerings

Stovec, as a holistic printing solutions provider, offers a product portfolio that includes a broad range of rotary screen and digital textile printing systems. Our business is mainly divided into Capital goods and Consumables. Stovec deals in supply, installation and after-sales support of printing machines and development and production of consumables for their use in textile. In the non-textile segment, the Company manufactures electroformed products for sugar industry, packaging and graphic printing industry.



### Capital Goods

- Rotary printing machines
- Laser engraving machines
- Digital printers

### Consumable

- Rotary textile screens
- Spares and services
- Digital inks
- Screens for label printing and industrial applications
- Lacquers and engraving chemicals

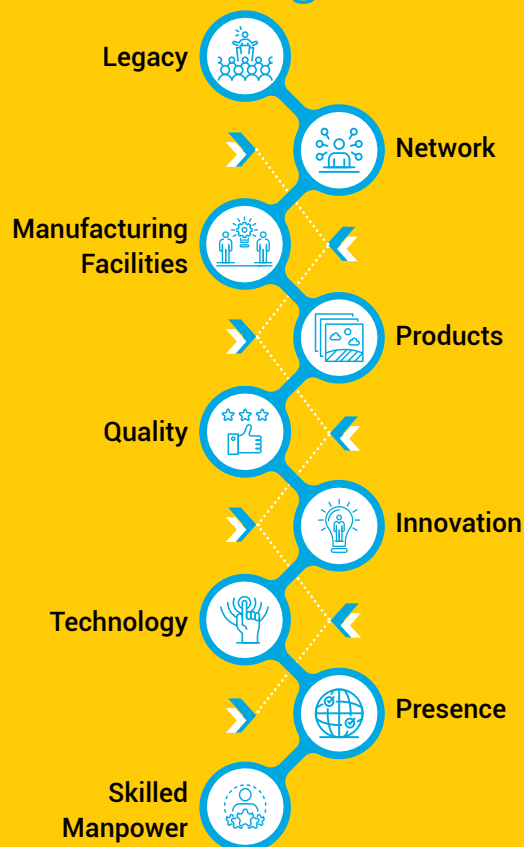


## Deepening Our Geographical Footprint



Apart from India, SPGPrints has a foothold in the USA, Austria, Brazil, China, Mexico, Netherlands, Pakistan and Turkey. The worldwide presence has given SPGPrints a fair understanding of various local market needs, leveraging their strength through the international network of manufacturing facilities.

## Strong Suits





We safeguarded our market position through our prudent strategies such as rationalising expenditures and achieving cost efficiencies. Our operations continued to pave the way for business continuity as we optimised cash flows to conserve liquidity. With our relentless efforts, we were able to maintain satisfactory results and reached the pre-COVID-19 levels by the end of the year.

## From the Chairman's Desk

*Dear Shareholders,*

*Hope this finds you in good health.*

Now, that the impacts of COVID-19 are truly apparent, I am extending my wishes to each and every one for fighting this healthcare battle with an undying spirit and coming out as winners.

The year 2020 will go down our memories for more good than bad. The reason solely being one: challenges were defied and resolved.

Economies across the world faced unprecedented lows owing to the COVID-19 outbreak. The disruptions due to the spread of the pandemic triggered one of the most pronounced contractions witnessed by global economies in modern times. Lockdowns and border closures across key global markets crippled economic activities and halted production processes.

### **Closer Home**

The nationwide lockdown, imposed to curb the spread of the pandemic, impacted employment, manufacturing, and business activities across industries. These, in combination with derailed consumer demand and supply chain issues, significantly slowed down the economy in the first half of the year. The Government's prompt and consistent interventions and stimulus, however, acted as breathers for businesses and the vulnerable communities. Businesses were inching back to normalcy with gradual unlock mode from May 2020 onwards.



As a result, the Indian economy started showing green shoots of recovery at a rate faster than earlier forecast. Moreover, improved macroeconomic indicators and commencement of the vaccination drive have brought back positive sentiments in the market.

The pandemic was equally hard-hearted to the Indian textile and apparel industry. However, various relief measures announced by the Government such as Production Linked Incentive scheme, Mega Investment Textiles Parks scheme, and reducing custom duties on raw material in manmade textiles, among others, will support the textile sector.

#### Delivering Value

Amid the pandemic upheavals, your company remained determined to deliver on your expectations. With our resilient strategies, sturdy foundation and customer-centric mindset, we ensured continued services to our customers.

We placed highest priority on the health and well-being of our people, their families, and other stakeholders through awareness sessions, training and communication. We gradually resumed phased production, adhering to the Government guidelines. We ensured regular sanitization, safe distance work practices and use of protective gears for our employees.

We safeguarded our market position through our prudent strategies such as rationalising expenditures and achieving cost efficiencies. Our operations continued to pave the way for business continuity as we optimised cash flows to conserve liquidity. With our relentless efforts, we were able to maintain satisfactory results and reached the pre-COVID-19 levels by the end of the year. During 2020, Stovec's revenue from

operations stood at ₹ 1,501.17 Mn, while the profit after tax was recorded at ₹ 134.63 Mn.

Today, Stovec is globally known for its legacy of innovation, best-in-class research and development capabilities and high-quality products for the textile, packaging and the graphic printing industry. We are focused to strengthen our footprint in the digital printer and digital ink products to meet changing requirements of our customers. With cutting-edge innovation and latest technology, we further plan to introduce new products in our conventional rotary business.

#### Way Forward

The post-COVID world would be different. With a team of highly-proficient people, advanced technology infrastructure and reliable offerings, we are strongly placed in the industry. We have already upgraded our functioning and are prepared to sustain continuous growth.

On behalf of the Board, I would like to thank all our stakeholders, for their firm faith in us and their continued support. I would also like to thank our employees for their dedication and energy to stay by the Company even in such odd hours. I would like to express my sincere gratitude to all the members of our Board for their continued insights and invaluable guidance as we serve our customers with future-ready products, superior experience and the undying spirit.

*Best wishes,*  
**K.M. Thanawalla**  
*Chairman*

# Determined to Deliver with prudent strategies and innovative offerings



The COVID-19 outbreak changed the way we looked at the world a year back. The pandemic had a significant socio-economic impact on us, altering our ways of interaction, service and life. At Stovec, we remained resilient and focussed to deliver the best to our customers even when times were unfavourable for all. Our strong foundation, cautious strategies and deep understanding of customer requirements ensured that we smoothly sail through the crisis.

Stringent lockdown, manpower underutilisation, supply chain and logistics issues and health concerns impacted our business operations. We, however, made concerted efforts to not just successfully mitigate risks and protect business but to also support our employees, customers and communities adapt the new normal in a sustainable manner.

## Strategies that determine we deliver the best

- Conserved cash by reducing operating cash and deferring large capex
- Reduced under-absorption by working to the extent possible with the Government's approval during lockdowns
- Maintained stable prices and reduced cost such as personnel, repair maintenance, and operating costs, among others
- Achieved timely order execution and supplies to customers across the nation
- Managed all critical raw material procurement and processes to deliver highest quality output for our customers
- Utilised excess manpower in textile for neutral product line i.e. sugar segment, resulting in higher output





### Ensuring well-being of our employees through...

- Regular sanitization of employees, visitors, entire work premises, canteen, pantry, vehicles, parking and green areas
- Everyday thermal scanning and temperature checking
- Physically-distanced seating arrangement and social distancing
- Virtual meetings (both internal and external)
- Frequent awareness sessions, affixing dos and don'ts

With our determination, commitment, consistent efforts, and strict precautions, we bounced back to a stable business performance in a very short time. We continued to serve our customers in textile, packaging and the graphic printing segment with fresh ideas, high-quality products and services despite all the COVID-19 challenges.



# Corporate Information



## Board of Directors

### Chairman & Independent Director

Mr. Khurshed M. Thanawalla

### Non-Executive Non-Independent Directors

Mr. Garrett Forde (appointed w.e.f. February 26, 2021)

Mr. Dirk W. Joustra (ceased w.e.f. February 26, 2021)

Mr. Eiko Ris

### Independent Directors

Mr. Marco Philippus A. Wadia

Mrs. Kiran Dhingra

### Managing Director

Mr. Shailesh Wani

### Chief Financial Officer

Mr. Paras Mehta

### Company Secretary

Mr. Sanjeev Singh Sengar

### Statutory Auditor

SRBC & CO LLP

Chartered Accountants

## Secretarial Auditor

Sandip Sheth & Associates

Company Secretaries, Ahmedabad

## Registrar & Share Transfer Agents

Link Intime India Private Limited

5th Floor, 506 to 508, Amarnath Business Center – I (ABC-I),

Besides Gala Business Center, Near St. Xavier's College

Corner, Off. C.G. Road, Navrangpura,

Ahmedabad – 380 009, Gujarat

Phone: +91 79 26465179/86/87, Fax: +91 79 26465179

Email: ahmedabad@linkintime.co.in

## Bankers

Axis Bank Limited

Citibank N.A

HDFC Bank Limited

## Registered Office and Factory

N.I.D.C., Near Lambha Village,

Post: Narol, Ahmedabad - 382 405, Gujarat, India

# NOTICE

NOTICE is hereby given that the 47<sup>th</sup> Annual General Meeting of the members of **STOVEC INDUSTRIES LIMITED** will be held on **Tuesday, May 11, 2021 at 02:00 pm** through video conferencing/other audio visual means (VC/OAVM) from the registered office of the Company at NIDC, Near Lambha Village, Post Narol, Ahmedabad – 382 405 to transact the following businesses-

## ORDINARY BUSINESS:

1. To receive, consider and adopt the Standalone Audited Financial Statements of the Company for the financial year ended December 31, 2020, together with the Report of the Board of Directors and the Auditor's thereon;
2. To declare dividend on Equity Shares of the Company;
3. To appoint a Director in place of Mr. Eiko Ris (DIN: 07428696), who retires by rotation and being eligible, offers himself for re-appointment;

## SPECIAL BUSINESS:

4. **To approve appointment of Mr. Garrett Forde (DIN: 09040078) as a Director of the Company**

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

**"RESOLVED THAT** Mr. Garrett Forde (DIN: 09040078) who was appointed an Additional Director of the Company by Board w.e.f. February 26, 2021 to hold office upto the date of 47<sup>th</sup> Annual General Meeting of the Company, in terms of Section 161 of the Companies Act, 2013, and in respect of whom the Company has received a notice in writing from a Member under Section 160 of the Companies Act, 2013, proposing his candidature for the office of Director, be and is hereby appointed as a Director (Non-Executive Non Independent) of the Company, liable to retire by rotation".

5. **To approve payment of commission to Mr. K. M. Thanawalla, Chairman (Non-Executive & Independent) exceeding fifty per cent of the total Commission payable to all the Independent Directors of the Company for the financial year 2020**

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

**"RESOLVED THAT** pursuant to Regulation 17(6)(ca) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 including any amendment, modification, variation or re-enactment thereof for the time being in force and other applicable provisions, if any, of the Companies Act, 2013 and pursuant to the approval of Members of the

Company accorded at its 46<sup>th</sup> Annual General Meeting, Commission to Mr. K. M. Thanawalla for the financial year 2020 exceeding fifty per cent of the total Commission that may be payable to all Independent Directors for that year be and is hereby approved and paid.

**RESOLVED FURTHER THAT** the Board of Directors of the Company be and is hereby authorized to do all such acts, deeds, matters as may be deemed necessary and expedient in this regard."

6. **To ratify remuneration of Cost Auditors of the Company for the financial year 2021**

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

**"RESOLVED THAT** pursuant to the provisions of Section 148 and other applicable provisions, if any, of the Companies Act, 2013 read with the Companies (Audit and Auditors) Rules, 2014, (including any statutory modification(s) or amendment(s) or re-enactment(s) thereof for the time being in force), the Company hereby ratifies the remuneration of ₹ 1,25,000/- (Rupees One Lakhs Twenty-Five Thousand Only) plus applicable taxes and re-imbursement of out-of-pocket expenses payable to M/s Dalwadi & Associates, Cost Accountants (Firm Registration No. 000338), who have been appointed by the Board of Directors on the recommendation of the Audit Committee, as Cost Auditors of the Company, to conduct the audit of the cost records maintained by the Company as prescribed under the Companies (Cost Records and Audit) Rules, 2014, as amended, for the Financial Year ending December 31, 2021.

**RESOLVED FURTHER THAT** the Board of Directors of the Company (including Committee(s) of the Board), be and is hereby authorized to do all acts and take all such steps as may be necessary, proper or expedient to give effect to this resolution."

## NOTES:

1. Ministry of Corporate Affairs vide its General Circular No. 02/2021 dated January 13, 2021 permitted companies to hold their AGM through video conferencing (VC) or other audio visual means (OAVM) following the procedure prescribed in MCA Circular No. 20/2020 dated May 05, 2020 read along with the SEBI circular SEBI/HO/CFD/CMD2/CIR/P/2021/11 dated January 15, 2021 (**'said Circulars'**), inter alia, whereby physical attendance of the members to the AGM venue shall not be required. Therefore, the Company is providing facility to attend and participate in the AGM through VC/OAVM. Thus, Members



can attend and participate in the meeting through VC/OAVM following the instructions given in the notice.

2. In accordance with the provisions of Section 101 of the Act read with Rule 18 of the Companies (Management and Administration) Rules, 2014 read with the said Circulars, the Annual Report of the Company is being sent through email only to the members whose email address are registered with the Company/Depositories, as the case may be. Member(s) however, are entitled to receive Annual Report in physical form, free of cost, on receipt of written request for the same. Members may also note that the Annual Report for the financial year 2020 together with the Notice of 47<sup>th</sup> Annual General Meeting is also available on the website of the Company at [www.stovec.com](http://www.stovec.com).

In case the shareholder/s has not registered his/her/their email address with the Company/its RTA/Depositories, they can do so by the following below instructions:

- (i) Kindly go to the website of our RTA, Link Intime India Private Ltd., [www.linkintime.co.in](http://www.linkintime.co.in) under Investor Services > Email/Bank detail Registration - fill in the details and upload the required documents for registering Email/Bank detail and submit.
  - (ii) Post successful registration of the email, the member would get soft copy of the notice and Annual Report of the Company. In case of any queries, member may write to [ahmedabad@linkintime.co.in](mailto:ahmedabad@linkintime.co.in).
  - (iii) It is clarified that for permanent registration of email address, members are required to register their email addresses, in respect of electronic holdings with their concerned Depository Participants and in respect of physical holdings, with the Company's Share Transfer Agent i.e. Link Intime India Private Limited, 5<sup>th</sup> Floor, 506 to 508, Amarnath Business Center –I (ABC-I), Besides Gala Business Center, Nr. St. Xavier's College Corner, Off. C.G. Road, Navrangpura, Ahmedabad – 380 009, Gujarat, Phone: +91 79 26465179/86/87, [Email-ahmedabad@linkintime.co.in](mailto:Email-ahmedabad@linkintime.co.in), by following due procedure.
  - (iv) Members may also update their bank details by following the instruction set out in (i) above.
3. The Explanatory Statement pursuant to Section 102 of the Companies Act, 2013, in respect of Special Business is annexed hereto.
  4. Pursuant to Sections 124 of the Companies Act, 2013, the amount of dividend remaining unpaid or unclaimed for a period of seven years from the date of its transfer to the Unpaid Dividend Account of the Company is required to be transferred to Investor Education and Protection Fund ("IEPF") established by the Central Government. During the year, the Company has transferred unclaimed dividend amount pertaining to the financial year 2012 to the Investor Education and Protection Fund of the Central

Government. The shareholders who have not claimed their dividend pertaining to financial year 2013 and all subsequent years are requested to claim their dividend as early as possible, failing which it would be transferred to IEPF as per the (tentative) date mentioned below and no claim shall lie against the Company for the said amount of unclaimed dividend so transferred. The details of unclaimed dividends are available on the Company's website at [www.stovec.com](http://www.stovec.com) and Ministry of Corporate Affairs website at [www.iepf.gov.in](http://www.iepf.gov.in).

Financial Year	Dividend type	Tentative Date of transfer to IEPF
2013	Dividend	June 10, 2021
2014	Dividend	June 7, 2022
2015	Dividend	June 28, 2023
2016	Dividend	June 13, 2024
2017	Dividend	June 2, 2025
2018	Dividend	June 9, 2026
2019	Dividend	October 16, 2027

Further, pursuant to Section 124(6) of the Act read with relevant rule of Investor Education and Protection Fund Authority (Accounting, Audit, Transfer and Refund) Rules, 2016 ("IEPF Rules"), all shares on which dividend has not been paid or claimed for seven consecutive years or more are required to be transferred to Demat Account of IEPF. During the year, Company has sent individual intimation to all such shareholders whose dividend has not been paid or claimed for any year during the seven consecutive years requesting them to claim their Dividend before the due date of transfer failing which their shares would be transferred to the IEPF and no claim shall lie against the Company on the shares so transferred. The Shareholders whose shares are transferred to the IEPF Authority can claim their shares from such authority by filing E-Form-5 and following such procedures as may be prescribed in the IEPF Rules from time to time.

5. The Register of Members and Share Transfer Book shall remain closed from May 05, 2021 to May 11, 2021 (both days inclusive). If the dividend on equity shares, as recommended by the Board of Directors is declared at the 47<sup>th</sup> Annual General Meeting, payment of such dividend will be made on or before its due date to the shareholders whose names appear in the Register of Members as on **cut-off date i.e. May 04, 2021** upon close of business hours. The voting rights of Members shall be in proportion to their share in the paid-up equity share capital of the Company as on the cut-off date.
6. As mandated by the SEBI (Listing obligations and Disclosure Requirements) Regulations, 2015 as amended hereinafter referred as **SEBI Listing Regulations**, Company will remit dividend electronically by RTGS/ National Electronic Clearing System (NECS)/National Automated Clearing House (NACH) etc. to the bank account registered with the Company. It is in Members interest to avail NECS/NACH facility as it is quick and

much convenient way of getting dividend directly in your bank account. Members desirous of availing NECS/NACH facility are requested to submit bank particulars in ECS Mandate Form, the format of which is annexed at the end of this Annual Report. Alternatively, members can update their bank details online through RTA by follow the below instructions -

Kindly go to the website of our RTA, Link Intime India Private Ltd., [www.linkintime.co.in](http://www.linkintime.co.in) under Investor Services > Email/Bank detail Registration - fill in the requisite details, upload the required documents and submit.

7. Members holding shares in dematerialized mode are requested to intimate all changes pertaining to their bank details, NECS, mandates, nominations, power of attorney, change of address/name, PAN details, etc. to their Depository Participant ("DP") only. However, Members holding shares in physical mode are required to notify any change pertaining to their bank details, NECS, mandates, nominations, power of attorney, change of address/name, PAN details, etc. to Registrar and Share Transfer Agent i.e. M/s. Link Intime India Private Limited, 5<sup>th</sup> Floor, 506 to 508, Amarnath Business Center-I (ABC-I), Besides Gala Business Center, Nr. St. Xavier's College Corner, Off. C.G. Road, Navrangpura, Ahmedabad - 380 009, Gujarat.
8. In terms of Regulation 36(3) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, brief profile of Director(s) seeking appointment/re-appointment in the Annual General Meeting is annexed and forms integral part of the Notice.
9. As per Securities and Exchange Board of India (SEBI) norms, submission of Permanent Account Number (PAN) is compulsorily required for participating in the securities market, deletion of name of deceased shareholder or transmission/transposition of shares. Members holding shares in dematerialized mode are requested to submit the PAN details to their Depository Participant, whereas Members holding shares in physical form are requested to submit the PAN details to the Company's Registrar and Transfer Agents. As per SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, copy of PAN card of both transferor and transferee for registration of transfer of shares are required to furnish to the Company/ Registrar and Share Transfer Agent of the Company.
10. In terms of Regulation 40 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 securities of listed entities can only be transferred in dematerialized form with effect from April 1, 2019 except in case of request for transmission or transposition of securities. In view of the above, members are advised to dematerialize shares held by them in physical form in order to avoid inconvenience in future.
11. Members may please note that SEBI vide its circular no. SEBI/HO/MIRSD/RTAMB/CIR/P/2020/166 dated September 7, 2020 has fixed March 31, 2021 as the cut-off date for re-lodgment of physical share transfer requests and has stipulated that such transferred shares shall be issued only in demat mode. It is therefore any re-lodgment of physical share transfer requests will not be entertained by the Company thereafter.
12. All documents referred to in the accompanying notice and explanatory statement are open for inspection electronically.
13. Members who are holding shares in more than one folio in identical manner are requested to consolidate their holdings in one folio.
14. **Members desirous of obtaining any information concerning accounts and operations of the Company are requested to address their questions in writing to the Company at least 7 days before the date of the meeting so that the information required may be made available at the meeting.**
15. The Company has depository connectivity for holding share in demat/electronic form and therefore equity shares of the Company may also be held in the electronic form with any DP, with whom the members/ investors are having their depository account. The ISIN No. for the Equity Shares of the Company is INE755D01015. Members holding shares in physical form are requested to convert their holding into dematerialized form to eliminate risks associated with physical shares. Members can contact Company's Registrar and Share Transfer Agent for assistance in this regard.
16. As per the provisions of Section 72 of the Act and Rule 19(1) of the Companies (Share Capital and Debentures) Rules, 2014, Members holding shares in physical form may file nomination in the prescribed form SH-13 with the Company's Registrar and Share Transfer Agent. In respect of shares held in demat form; the nomination form may be filed with the respective Depository Participant.
17. A Resident individual shareholder with PAN and who is not liable to pay income tax can submit a yearly declaration in Form No. 15G/15H, to avail the benefit of non-deduction of tax at source by e-mail to [ahmedabad@linkintime.co.in](mailto:ahmedabad@linkintime.co.in) latest by May 07, 2021. Shareholders are requested to note that in case their PAN is not registered, the tax will be deducted at a higher rate of 20% excluding surcharge & cess.  
Non-resident shareholders can avail beneficial rates under tax treaty between India and their country of residence, subject to providing necessary documents, i.e. No Permanent Establishment and Beneficial Ownership Declaration, Tax Residency Certificate, Form 10F, any other document which may be required to avail the tax treaty benefits by sending an e-mail to [ahmedabad@linkintime.co.in](mailto:ahmedabad@linkintime.co.in) latest by that date.
18. Providing route map of the venue of the meeting is not applicable in case of VC meeting.

## 19. INSTRUCTIONS FOR VOTING THROUGH ELECTRONIC MEANS AND ATTENDING MEETING THROUGH VC

- a) Pursuant to the provisions of Section 108 of the Companies Act, 2013 read with Rule 20 of the Companies (Management and Administration) Rules, 2014 (as amended) and Regulation 44 of SEBI (Listing Obligations & Disclosure Requirements) Regulations 2015 (as amended), and said Circulars, the Company is providing facility of remote e-voting and e-voting during the meeting to its Members in respect of the business to be transacted at the AGM. For this purpose, the Company has entered into an agreement with Central Depository Services (India) Limited (CDSL) for facilitating voting through electronic means, as the authorized e-Voting's agency. The facility of casting votes by a member using remote e-voting as well as the e-voting system on the date of the AGM will be provided by CDSL.
- b) The Members can join the AGM in the VC/OAVM mode 15 minutes before and after the scheduled time of the commencement of the Meeting by following the procedure mentioned in the Notice. The facility of participation at the AGM through VC/OAVM will be made available to at least 1000 members on first come first served basis. This will not include large Shareholders (Shareholders holding 2% or more shareholding), Promoters, Institutional Investors, Directors, Key Managerial Personnel, the Chairpersons of the Audit Committee, Nomination and Remuneration Committee and Stakeholders Relationship Committee, Auditors etc. who are allowed to attend the AGM without restriction on account of first come first served basis.
- c) The attendance of the Members attending the AGM through VC/OAVM will be counted for the purpose of ascertaining the quorum under Section 103 of the Companies Act, 2013.
- d) Pursuant to said Circulars facility to appoint proxy to attend and cast vote for the members is not available for this AGM. However, in pursuance of Section 112 and Section 113 of the Companies Act, 2013, representatives of the members such as the President of India or the Governor of a State or body corporate can attend the AGM through VC/OAVM and cast their votes through e-voting.
- e) In line with the said Circulars, the Notice calling the AGM has been uploaded on the website of the Company at [www.stovec.com](http://www.stovec.com). The Notice can also be accessed from the websites of the Stock Exchange i.e. BSE Limited at [www.bseindia.com](http://www.bseindia.com). The AGM Notice is also disseminated on the website of CDSL (agency for providing the Remote e-Voting facility and e-voting system during the meeting) at [www.evotingindia.com](http://www.evotingindia.com).

- f) The AGM has been convened through VC/OAVM in compliance with applicable provisions of the Companies Act, 2013 and the SEBI Listing Regulations read with said Circulars.

### THE INSTRUCTIONS FOR SHAREHOLDERS FOR REMOTE E-VOTING ARE AS UNDER:

- (i) The voting period begins on **May 8, 2021 @ 9.00 hours (IST)** and ends on **May 10, 2021 @ 17.00 hours (IST)**. During this period shareholders of the Company, holding shares either in physical form or in dematerialized form, as on the **cut-off date i.e. May 4, 2021** may cast their vote electronically. The e-voting module shall be disabled by CDSL for voting thereafter.
- (ii) Shareholders who have already voted prior to the meeting date would not be entitled to vote at the meeting venue.
- (iii) The shareholders should log on to the e-voting website [www.evotingindia.com](http://www.evotingindia.com).
- (iv) Click on "Shareholders" module.
- (v) Now enter your User ID
  - a. For CDSL: 16 digits beneficiary ID,
  - b. For NSDL: 8 Character DP ID followed by 8 Digits Client ID,
  - c. Shareholders holding shares in Physical Form should enter Folio Number registered with the Company.

OR

Alternatively, if you are registered for CDSL's EASI/ EASIEST e-services, you can log-in at <https://www.cdslindia.com> from Login - Myeasi using your login credentials. Once you successfully log-in to CDSL's EASI/EASIEST e-services, click on e-Voting option and proceed directly to cast your vote electronically.
- (vi) Next enter the Image Verification as displayed and Click on Login.
- (vii) If you are holding shares in demat form and had logged on to [www.evotingindia.com](http://www.evotingindia.com) and voted on an earlier e-voting of any company, then your existing password is to be used.
- (viii) If you are a first-time user follows the steps given below:

	For Shareholders holding shares in Demat Form and Physical Form
PAN	<p>Enter your 10-digit alpha-numeric *PAN issued by Income Tax Department (Applicable for both demat shareholders as well as physical shareholders)</p> <ul style="list-style-type: none"> <li>Shareholders who have not updated their PAN with the Company/Depository Participant are requested to use the sequence number, which is communicated by e-mail, in the PAN field.</li> </ul>
Dividend Bank Details OR Date of Birth (DOB)	<p>Enter the Dividend Bank Details or Date of Birth (in dd/mm/yyyy format) as recorded in your demat account or in the company records in order to login.</p> <ul style="list-style-type: none"> <li>If both the details are not recorded with the depository or company, please enter the member id / folio number in the Dividend Bank details field as mentioned in instruction (v).</li> </ul>



- (ix) After entering these details appropriately, click on "SUBMIT" tab.
- (x) Shareholders holding shares in physical form will then directly reach the Company selection screen. However, shareholders holding shares in demat form will now reach 'Password Creation' menu wherein they are required to mandatorily enter their login password in the new password field. Kindly note that this password is to be also used by the demat holders for voting for resolutions of any other company on which they are eligible to vote, provided that company opts for e-voting through CDSL platform. It is strongly recommended not to share your password with any other person and take utmost care to keep your password confidential.
- (xi) For shareholders holding shares in physical form, the details can be used only for e-voting on the resolutions contained in this Notice.
- (xii) Click on the EVSN for the relevant <STOVEC INDUSTRIES LIMITED> on which you choose to vote.
- (xiii) On the voting page, you will see "RESOLUTION DESCRIPTION" and against the same the option "YES/ NO" for voting. Select the option YES or NO as desired. The option YES implies that you assent to the Resolution and option NO implies that you dissent to the Resolution.
- (xiv) Click on the "RESOLUTIONS FILE LINK" if you wish to view the entire Resolution details.
- (xv) After selecting the resolution, you have decided to vote on, click on "SUBMIT". A confirmation box will be displayed. If you wish to confirm your vote, click on "OK", else to change your vote, click on "CANCEL" and accordingly modify your vote.
- (xvi) Once you "CONFIRM" your vote on the resolution, you will not be allowed to modify your vote.
- (xvii) You can also take a print of the votes cast by clicking on "Click here to print" option on the Voting page.
- (xviii) If a demat account holder has forgotten the login password, then Enter the User ID and the image verification code and click on Forgot Password & enter the details as prompted by the system.
- (xix) Shareholders can also cast their vote using CDSL's mobile app "m-Voting". The m-Voting app can be downloaded from respective Store. Please follow the instructions as prompted by the mobile app while Remote Voting on your mobile.

**PROCESS FOR THOSE SHAREHOLDERS WHOSE EMAIL ADDRESSES ARE NOT REGISTERED WITH THE DEPOSITORIES FOR OBTAINING LOGIN CREDENTIALS FOR E-VOTING FOR THE RESOLUTIONS PROPOSED IN THIS NOTICE:**

1. For Physical shareholders- please provide necessary details like Folio No., Name of shareholder, scanned copy of the share certificate (front and back), PAN (self attested scanned copy of PAN card), AADHAR

(self-attested scanned copy of Aadhar Card) by email to RTA at [ahmedabad@linkintime.co.in](mailto:ahmedabad@linkintime.co.in).

2. For Demat shareholders -, please provide Demat account details (CDSL-16 digit beneficiary ID or NSDL-16 digit DPID + CLID), Name, client master or copy of Consolidated Account statement, PAN (self-attested scanned copy of PAN card), AADHAR (self-attested scanned copy of Aadhar Card) to RTA at [ahmedabad@linkintime.co.in](mailto:ahmedabad@linkintime.co.in).

**INSTRUCTIONS FOR SHAREHOLDERS ATTENDING THE AGM THROUGH VC/OAVM ARE AS UNDER:**

1. Shareholder will be provided with a facility to attend the AGM through VC/OAVM through the CDSL e-Voting system. Shareholders may access the same at <https://www.evotingindia.com> under shareholders/members login by using the remote e-voting credentials. The link for VC/OAVM will be available in shareholder/members login where the EVSN of Company will be displayed.
2. Shareholders are encouraged to join the Meeting through Laptops / iPad for better experience.
3. Further shareholders will be required to allow Camera and use Internet with a good speed to avoid any disturbance during the meeting.
4. Please note that Participants Connecting from Mobile Devices or Tablets or through Laptop connecting via Mobile Hotspot may experience Audio/Video loss due to Fluctuation in their respective network. It is therefore recommended to use Stable Wi-Fi or LAN Connection to mitigate any kind of aforesaid glitches.
5. **Shareholders who would like to express their views/ask questions during the meeting may register themselves as a speaker by sending their request in advance at least (3) three days prior to meeting mentioning their name, demat account number/folio number, email id, mobile number at [secretarial@stovec.com](mailto:secretarial@stovec.com). The shareholders who do not wish to speak during the AGM but have queries may send their queries in advance Seven days prior to meeting mentioning their name, demat account number/folio number, email id, mobile number at [secretarial@stovec.com](mailto:secretarial@stovec.com). The queries will be replied suitably by the company.**
6. Those shareholders who have registered themselves as a speaker will only be allowed to express their views/ask questions during the meeting.

**INSTRUCTIONS FOR SHAREHOLDERS FOR E-VOTING DURING THE AGM ARE AS UNDER: -**

1. The procedure for e-Voting on the day of the AGM is same as the instructions mentioned above for Remote e-voting.

2. Only those shareholders, who are present in the AGM through VC/OAVM facility and have not casted their vote on the Resolutions through remote e-Voting and are otherwise not barred from doing so, shall be eligible to vote through e-Voting system available during the AGM.
3. If any Votes are cast by the shareholders through the e-voting available during the AGM and if the same shareholders have not participated in the meeting through VC/OAVM facility, then the votes cast by such shareholders shall be considered invalid as the facility of e-voting during the meeting is available only to the shareholders attending the meeting.
4. Shareholders who have voted through Remote e-Voting will be eligible to attend the AGM. However, they will not be eligible to vote at the AGM.

(xx) Note for Non – Individual Shareholders and Custodians

- Non-Individual shareholders (i.e. other than Individuals, HUF, NRI etc.) and Custodians are required to log on to [www.evotingindia.com](http://www.evotingindia.com) and register themselves in the "Corporates" module.
- A scanned copy of the Registration Form bearing the stamp and sign of the entity should be emailed to [helpdesk.evoting@cdslindia.com](mailto:helpdesk.evoting@cdslindia.com).
- After receiving the login details a Compliance User should be created using the admin login and password. The Compliance User would be able to link the account(s) for which they wish to vote on.
- The list of accounts linked in the login should be mailed to [helpdesk.evoting@cdslindia.com](mailto:helpdesk.evoting@cdslindia.com) and on approval of the accounts they would be able to cast their vote.

- A scanned copy of the Board Resolution and Power of Attorney (POA) which they have issued in favour of the Custodian, if any, should be uploaded in PDF format in the system for the scrutinizer to verify the same.
- Alternatively Non Individual shareholders are required to send the relevant Board Resolution/ Authority letter etc. together with attested specimen signature of the duly authorized signatory who are authorized to vote, to the Scrutinizer and to the Company at the email address viz; [secretarial@stovec.com](mailto:secretarial@stovec.com), if they have voted from individual tab & not uploaded same in the CDSL e-voting system for the scrutinizer to verify the same.

If you have any queries or issues regarding attending AGM & e-Voting from the e-Voting System, you may refer the Frequently Asked Questions ("FAQs") and e-voting manual available at [www.evotingindia.com](http://www.evotingindia.com), under help section or write an email to [helpdesk.evoting@cdslindia.com](mailto:helpdesk.evoting@cdslindia.com) or contact Mr. Nitin Kunder (022- 23058738 ) or Mr. Mehboob Lakhani (022-23058543) or Mr. Rakesh Dalvi (022-23058542).

All grievances connected with the facility for voting by electronic means may be addressed to Mr. Rakesh Dalvi, Manager, (CDSL, ) Central Depository Services (India) Limited, A Wing, 25<sup>th</sup> Floor, Marathon Futurex, Mafatlal Mill Compounds, N M Joshi Marg, Lower Parel (East), Mumbai - 400013 or send an email to [helpdesk.evoting@cdslindia.com](mailto:helpdesk.evoting@cdslindia.com) or call on 1800225533, 022-23058542/43.

**Regd. Office:**

N.I.D.C. Nr. Lambha Village, Post: Narol, Ahmedabad-382 405  
Gujarat, INDIA.

CIN: L45200GJ1973PLC050790

Tel: +91 (0) 79 6157 2300, Fax: +91 (0) 79 2571 0406,

E-mail: [secretarial@stovec.com](mailto:secretarial@stovec.com), Website: [www.stovec.com](http://www.stovec.com)

Date: February 26, 2021

Place: Ahmedabad

**By Order of the Board of Directors**

**Sanjeev Singh Sengar**

Company Secretary

Membership No. FCS 7835

**EXPLANATORY STATEMENT PURSUANT TO SECTION 102 OF THE COMPANIES ACT, 2013**

The Statement setting out the material facts pursuant to Section 102 of the Companies Act, 2013 ("the Act"), concerning the Special Business at Item No. 4 to 6 of the Notice is annexed hereto and forms part of this Notice.

**ITEM NO. 4**

The Board of Directors based on the recommendation of Nomination and Remuneration Committee has appointed Mr. Garrett Forde (DIN: 09040078), aged 58 years, as an Additional Director on the Board of the Company with effect from February 26, 2021 to hold office up to the date of this Annual General Meeting and is eligible for appointment as a Director. The Company has received a notice pursuant to Section 160 of the Act, from a member signifying his intention to propose the appointment of Mr. Forde as Director of the Company. He holds the degree of MBA from university of Twente. He is a Chief Executive Officer and a Member of Executive Board of SPGPrints B.V., the Holding Company of the Company. He treasured rich experience of more than two decades in Management Level. Brief profile of Mr. Forde is provided in this Notice. The Board of Directors is confident that his knowledge and experience will be of immense value to the Company and hence recommends the Resolution at Item No. 4 of this Notice for the approval of Members.

Mr. Garrett Forde does not hold any share in the Company, either in his individual capacity or on a beneficial basis for any person nor related to any of the Directors or Key Managerial Personnel of the Company.

None of the Directors, Key Managerial Personnel and relatives thereof except Mr. Forde, is in any way concerned or interested, financially or otherwise, in the resolution.

**ITEM NO. 5**

In terms of Regulation 17 of the SEBI (Listing Obligations and Disclosure Requirements) (Amendment) Regulations, 2018 listed entity is required to obtain the approval of members of the Company by way of Special Resolution for payment of remuneration to a single non-executive director exceeding 50% of the total remuneration payable to all non-executive director.

Board felt that Mr. K. M. Thanawalla is a person of high repute and have a rich experience of over 5 decades in textile industry. His in-depth knowledge of the textile industry and strategic guidance has helped the Company to grow year by year and his continue guidance would be of immense benefit to the Company.

The payment of commission to Independent Directors was approved by the Members of the Company in the 46<sup>th</sup> Annual General Meeting for a period of three financial years commencing from January 1, 2020 with powers to Board or Committee thereof to decide the percentage of net profit to be paid as commission to each of the Independent Directors but the commission payable to Mr. K. M. Thanawalla for the financial year 2020 exceeding fifty percent of the total commission payable to all Independent Directors of the Company requiring approval of members in terms of aforesaid provision. It is therefore resolution is proposed for the approval of shareholders by way of special resolution.

The Board recommends the resolution for the approval of Members of the Company.

None of the Directors except Mr. K. M. Thanawalla, Key Managerial Personnel and relatives thereof, are in any way concerned or interested, financially or otherwise, in the resolution.

**ITEM NO. 6**

The Board of Directors of the Company, on the recommendation of the Audit Committee, has approved the appointment of M/s Dalwadi & Associates, Cost Accountants (Firm Registration No. 000338), as the Cost Auditors to conduct the audit of the cost records of the Company for the financial year ending December 31, 2021.

In accordance with the provisions of Section 148 of the Companies Act, 2013 read with the Companies (Audit and Auditors) Rules, 2014 (as amended), the remuneration payable to the Cost Auditors has to be ratified by the Members of the Company. Accordingly consent of the Members is sought by way of an ordinary resolution as set out in the Notice for ratification of the remuneration amounting to ₹ 1,25,000/- plus applicable Goods and Service Tax and out of pocket expenses, if any, payable to the Cost Auditors for Cost Audit for the financial year ending on December 31, 2021, in respect of products/ activities of the Company covered under the Companies (Cost Records and Audit) Rules, 2014 (as amended).

The Board accordingly recommends the resolution for the approval of Members.

None of the Directors, Key Managerial Personnel and relatives thereof, are in any way concerned or interested, financially or otherwise, in the resolution.



**Brief profile of Director(s) seeking appointment/re-appointment at the forthcoming Annual General Meeting of the company pursuant to Regulation 36(3) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and Secretarial Standard on General Meetings issued by The Institute of Company Secretaries of India.**

<b>Name of Director</b>	<b>Mr. Eiko Ris</b>	<b>Mr. Garrett Forde</b>
Director Identification Number	07428696	09040078
Date of Birth	October 17, 1958	January 24, 1963
Nationality	Dutch	Dutch
Date of Appointment	March 12, 2019	February 26, 2021
Expertise in specific functional areas	Finance & General Management	Business Strategy, Sales, Marketing and General Management
Qualifications & experience	He holds the degree of MSc (RA) from the Netherlands Institute of Registrar Accounts He has rich experience of about four decades in finance.	He holds the degree of MBA from the university of Twente He has rich experience of about two decades in Management Level.
Terms and conditions of appointment/re-appointment	Non-Executive Director liable to retire by rotation.	Non-Executive Director liable to retire by rotation.
Remuneration to be paid	None	None
Details of relationship with other Directors, Manager and Key Managerial Personnel of the Company	None	None
Details of shares held in the Company	Nil	Nil
No. of Board Meetings attended during the financial year 2020	4 (Four)	Not Applicable
List of companies in which directorship held as on December 31, 2020	None	None
Chairman/Member of the Committees of other public Companies as on December 31, 2020 (includes Audit Committee and Stakeholders' Relationship Committee only)	None	None

# BOARD'S REPORT

## TO THE MEMBERS,

The Board of Directors of your Company are pleased to present the its 47<sup>th</sup> Report on the business and operations of the Company together with the audited financial statement of the Company for the year ended December 31, 2020.

## 1. FINANCIAL PERFORMANCE

(₹ in Millions except EPS)

Particulars	2020	2019
Revenue from Operations (net)	1501.17	1942.47
Other Income	51.68	54.85
<b>Total Income:</b>	<b>1552.85</b>	<b>1997.32</b>
<b>Total Expenditure:</b>	<b>1335.89</b>	<b>1581.06</b>
<b>Gross Profit before Depreciation and Amortisation exp.</b>	<b>216.96</b>	<b>416.26</b>
<b>Less:</b> Depreciation & Amortisation expenses	45.34	44.10
<b>Profit Before Exceptional Items and Tax</b>	<b>171.62</b>	<b>372.16</b>
Add: Exceptional items	-	-
<b>Profit before tax</b>	<b>171.62</b>	<b>372.16</b>
Current Tax	40.44	96.21
Deferred Tax Credit	(5.26)	(3.45)
(Excess)/Short provision of income tax of earlier years (Net)	1.81	0.03
<b>Profit After Tax</b>	<b>134.63</b>	<b>279.37</b>
<b>Add:</b> Profit brought forward from previous year	1259.70	1122.62
Effect on account of adoption of Ind AS 115 from January 1, 2019	0	(0.69)
Dividend on equity shares (Refer Note below)	(125.29)	(114.84)
Tax on Dividend	0	(23.61)
Remeasurement gains/(losses) on defined benefit plans (net of tax)	(1.89)	(3.15)
<b>Profit available for appropriation &amp; carried forward to Balance Sheet</b>	<b>1267.15</b>	<b>1259.70</b>
<b>EPS</b>	<b>64.48</b>	<b>133.80</b>

During the year, your Company has achieved standalone revenue from operations of ₹ 1501.17 million as compared to ₹ 1,942.47 million in previous year, and Operational Profit (PBT) stood at ₹ 171.62 million as compared to ₹ 372.16 million in previous year. In the prevailing situation of Covid-19 leading to the lockdowns and disrupting the economies globally, the Company provided greater level of attention on serving the customers with all covid precautions.

The Company had entered into Contract Manufacturing Agreement (CMA) with Atul Sugar Screens Private Limited in 2018 for manufacturing the sugar sieves. During the year, Atul Sugar screens Private Limited has informed that they intend to develop their own manufacturing facilities and in light of the same, existing CMA shall be terminated at suitable time. Company has received notice for termination of CMA and the same is expected to take place during early 2022. The termination of CMA shall have marginal impact on the business of the Company going forward.

No material changes or commitments have occurred between the end of the financial year and the date of this Report, which affect the Financial Statements of the Company with respect to the reporting year.

The Company has no Subsidiary, Associate and Joint Venture company during the year.

## 2. RESERVES AND SURPLUS:

The Company has not transferred any amount to the Reserves for the financial year ended December 31, 2020.

## 3. DIVIDEND:

In spite of difficult year, the Board of Directors considering the Company's financial performance and the availability of distributable profit, have pleased to recommend dividend of ₹ 22 per equity share of ₹ 10/- each (i.e. 220%) for the financial year ended on December 31, 2020 subject to the approval of members in the ensuing Annual General Meeting of the Company.

Unclaimed dividend pertaining to FY2012 amounting to ₹ 5,63,772/- has been transferred to the Investor Education and Protection Fund ('IEPF') in accordance with IEPF Rules.

## 4. SHARE CAPITAL

The Company's paid-up equity share capital continues to stand at ₹ 20.88 Mn as on December 31, 2020. During the year, the Company has not issued any shares or convertible securities.

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

Information as required to be given under Section 134(3) (m) of the Act read with Rule 8(3) of the Companies (Accounts) Rules, 2014 is provided in **Annexure I** forms part of this Report.

## 6. DEPOSITS

During the year, the Company has neither accepted nor renewed any deposits falling under Section 73 of the Act and rules made there under.

## 7. CORPORATE GOVERNANCE & MDA

A separate report on Corporate Governance Compliance and Management Discussion and Analysis Report as required by SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("Listing Regulations") annexed to the Annual Report as **Annexure-II and III** respectively along with the required Certificate from the Practicing Company Secretary regarding compliance of the conditions of Corporate Governance.

## 8. AUDIT COMMITTEE

The Company has in place an Audit Committee in terms of requirements of the Act read with rules framed thereunder and Listing Regulations. The details relating to the Audit Committee are given in the Corporate Governance Report forming part of this report. During the year under review, all recommendations made by the Audit Committee were accepted by the Board.

## 9. DIRECTORS AND KEY MANAGERIAL PERSONNEL

On the recommendation of Nomination and Remuneration Committee (NRC), Mr. Garrett Forde (DIN: 09040078), has been appointed an additional director (Non-Executive & Non-Independent) by the board of directors of the Company with effect from February 26, 2021 to hold office up to the date of ensuing Annual General Meeting ('AGM'). Further, the NRC and Board of Directors of the Company have also recommended the appointment of Mr. Forde as Director (Non-Executive Non-Independent), to the Members at the ensuing AGM, liable to retire by rotation.

Mr. Eiko Ris (DIN: 07428696), who retires by rotation and being eligible, offers himself for re-appointment.

Board recommends above appointment/re-appointment to the members of the Company in the Notice of convening 47<sup>th</sup> AGM.

Mr. Dick Joustra (DIN:00481154), Non-Executive & Non-Independent Director, has resigned from the Directorship of the Company with effect from February 26, 2021. The Board has placed on record its warm appreciation of the contribution made by him during his tenure as Director on the Board of the Company.

The Company's Independent Directors have submitted requisite declarations confirming that they continue to meet the criteria of independence as prescribed under Section 149(6) of the Act and Regulation 16(1)(b) of the Listing Regulations. The Independent Directors have also confirmed that they have complied with Schedule IV of the Act and the Company's Code of Conduct. The Independent Directors of the Company have registered themselves with the Indian Institute of Corporate Affairs ('IICA') towards the inclusion of their names in the data bank maintained with it and they meet the requirements of proficiency self-assessment test.

The Company familiarized the newly appointed Director/s with respect to their roles and responsibilities, an overview of the industry, the Company's business model, the risks and opportunities through various presentations at meeting of the board of directors of the Company in alignment with the requirements under the Act, and other related regulations.

The Company has complied with the requirements of having Key Managerial Personnel as per the provisions of Section 203 of the Act.

## 10. BOARD MEETING

During the financial year ended December 31, 2020, four meetings of the Board of Directors were held. The details of the attendance of Directors at the Board Meetings are mentioned in the Corporate Governance Report annexed hereto.

The Board of Directors affirms that the Company has complied with the applicable Secretarial Standards (SS) issued by the Institute of Companies Secretaries of India (SS1 and SS2), respectively relating to Meetings of the Board and its Committees, and the Shareholders, which have mandatory application during the year under review.

## 11. PERFORMANCE EVALUATION

The Company has carried out performance evaluation of all the Directors, Chairman, Board as a whole and Committees of the Board during the year in accordance with the statutory provisions as contained in the Act and Listing Regulations. The details of Annual Performance Evaluation of Individual Directors including Chairperson, Board of Directors and Committees of Board of Directors are mentioned in the Corporate Governance Report.

## 12. CORPORATE SOCIAL RESPONSIBILITY

In accordance with Section 135 of the Act and Rules framed thereunder, the Corporate Social Responsibility ("CSR") Committee has been constituted consisting of three members, details of which is given in the Corporate Governance Report. CSR policy and Annual report on CSR activities of the Company as prescribed under the Companies (Corporate Social Responsibility Policy) Rules, 2014, have been provided as **Annexure-IV** to this report.



**13. BUSINESS RESPONSIBILITY REPORT (BRR)**

SEBI vide Notification No. SEBI/LAD-NRO/GN/2019/45 dated December 26, 2019 had mandated top 1000 listed entities, based on their market capitalisation, to include BRR in the annual report of the Company and your company is placed in one of the top 1000 listed entities as per list of BSE top 1000 listed entities based on their market cap. In compliance with, the business responsibility report of your Company in the SEBI prescribed format enclosed to this annual report separately as **Annexure -V**.

**14. REMUNERATION POLICY**

The details of the Remuneration Policy are mentioned in the Corporate Governance Report. A Statement of Disclosure of Remuneration pursuant to Section 197 of the Act read with Rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, (as amended) is provided as **Annexure VI** forming part of this Report.

**15. INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY**

The Company has an Internal Control System, commensurate with the size, scale and complexity of its operations. The scope of Internal Audit is well defined in the organisation. The Internal Audit Report is regularly placed before the Audit Committee of the Board. The Management and the Internal Auditor monitors and evaluates the efficacy and adequacy of internal control systems in the Company with reference to the Financial statement, its compliance with standard operating procedures, accounting procedures and policies. Based on the report of Internal Auditors, process owners undertake corrective action in their respective areas and thereby strengthening the controls continuously. Significant audit observations, if any, and corrective actions suggested and taken are presented to the Audit Committee of the Board.

During the year under review, no reportable material weakness in the operation was observed. Regular audit and review processes ensure that such systems are reinforced on an ongoing basis.

**16. EXTRACTS OF ANNUAL RETURN**

The extracts of Annual Return in Form MGT-9 as required under Section 92(3) of the Act read with Rule 12 of the Companies (Management and Administration) Rules, 2014 (as amended), is uploaded on the website of the Company at [www.stovec.com](http://www.stovec.com).

**17. PARTICULARS OF CONTRACTS OR ARRANGEMENT WITH RELATED PARTIES**

No such contract or arrangement with Related Parties referred to in Section 188 (1) of the Act entered by the Company during the year which required to be disclosed in Form AOC-2.

During the reporting period, all the Related Party Transactions (RPTs) were placed before the Audit Committee for its approval and the Committee has granted its prior approval/omnibus approvals, as the case may be, for RPTs considering their nature and repetitiveness. The Audit Committee reviewed its omnibus approval quarterly. The Company has framed a policy on RPTs for the purpose of identification, approval and monitoring of such transactions. The policy on Related Party Transactions is hosted on the Company's website at [www.stovec.com](http://www.stovec.com).

**18. PARTICULARS OF LOANS, GUARANTEE OR INVESTMENTS**

The Company has not given any loans or provided any security falling under Section 186 of the Act. However, Investments made under the ambit of this section is provided in note no. 5 of Notes to the Financial Statements.

**19. VIGIL MECHANISM**

The Company believes in doing business with integrity and displays zero tolerance for any form of unethical behavior. In terms of Section 177(9) of the Act, a Vigil Mechanism for Directors and Employees to report genuine concerns is in place and the details of such Policy are provided in the Corporate Governance report forming part of this Report. The Audit Committee oversees and review the functioning of this policy from time to time.

The Company has disclosed information about the establishment of the Whistleblower Policy on its website at [www.stovec.com](http://www.stovec.com) at [https://www.spgprints.com/uploads/documents/Stovec/Stovec-policies/Whistle-Blower\\_Policy.pdf](https://www.spgprints.com/uploads/documents/Stovec/Stovec-policies/Whistle-Blower_Policy.pdf).

**20. RISK MANAGEMENT**

The Company has formulated Risk Management Policy to monitor the risks and to address/mitigate those risks associated with the Company. The Board of Directors do not foresee any elements of risk, which in its opinion, may threaten the existence of the Company.

**21. DIRECTORS RESPONSIBILITY STATEMENT**

Pursuant to the provisions of Section 134 (3)(c) and 134 (5) of the Act, your directors confirm, to the best of their knowledge and belief:

- a) that in the preparation of the annual financial statements for the year ended December 31, 2020, the applicable accounting standards have been followed and that no material departures have been made from the same;
- b) that such accounting policies have been selected and applied consistently and judgment and estimates have been made that are reasonable and prudent, so as to give a true and fair view of the state of affairs

of the Company as at December 31, 2020 and of the profit of the Company for the year ended on that date;

- c) that proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- d) that the annual financial statements for the year ended December 31, 2020, have been prepared on a going concern basis;
- e) that proper internal financial controls are in place in the Company and that such internal financial controls are adequate and are operating effectively; and
- f) that proper systems have been devised to ensure compliance with the provisions of all applicable laws and that such systems are adequate and operating effectively.

## **22. POLICY ON PREVENTION OF SEXUAL HARASSMENT OF WOMEN AT WORKPLACE**

The Company has in place a Policy on Prevention of Sexual Harassment of Women at Workplace in line with the requirements of the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 and Rules framed thereunder and Internal Complaints Committee has also been set up to redress complaints regarding sexual harassment. During the year, no complaint with allegations of sexual harassment was received by the Company. Disclosures in relation to the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 is as under:

- a. Number of complaints filed during the financial year - Nil
- b. Number of complaints disposed of during the financial year - Nil
- c. Number of complaints pending as on end of the financial year - Nil

## **23. AUDITORS AND AUDITORS REPORT**

### **STATUTORY AUDITORS**

Pursuant to the provisions of Section 139 of the Act read with the Companies (Audit and Auditor's) Rules, 2014, M/s. S R B C & CO LLP, Chartered Accountants (FRN 324982E/E300003) was appointed as Statutory Auditors of the Company for a term of 5 consecutive years to hold office from the conclusion of 46<sup>th</sup> Annual General Meeting until the conclusion of 51<sup>st</sup> Annual General Meeting to be held in the year 2025.

### **COST RECORDS AND COST AUDITORS**

In terms of Section 148 of the Companies Act, 2013 read with Rule 8 of the Companies (Accounts) Rules, 2014, the cost accounts and records are duly made and maintained by the Company.

The Board of Directors on the recommendation of the Audit Committee, have appointed M/s Dalwadi and Associates, Cost Accountants (Firm Registration No.000338) as its Cost Auditors to audit the cost records of the Company for the financial year 2021, at a remuneration as mentioned in the Notice convening the 47<sup>th</sup> Annual General Meeting. A certificate has been received from the Cost Auditors to the effect that their appointment as Cost Auditors of the Company, if made, would be in accordance with the limits specified under Section 141 of the Act and Rules framed thereunder. A resolution seeking Member's approval for the remuneration payable to Cost Auditors forms part of the Notice convening 47<sup>th</sup> Annual General Meeting of the Company and the same is recommended for approval of Members.

### **SECRETARIAL AUDIT**

Pursuant to the provisions of Section 204 of the Act read with the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 and SEBI (LODR) Amendment Regulation, 2018, the Company has appointed M/s Sandip Sheth & Associates, Practicing Company Secretaries (COP No. 4354), for conducting Secretarial Audit of the Company for the financial year ended on December 31, 2020 and the same is annexed to this report as **Annexure-VII**.

### **AUDITORS REPORT**

The Reports of the Auditor and the Secretarial Auditor do not contain any qualification, reservation or adverse remark of the respective auditors and hence they need not require any comments or explanation under section 134(3)(f) of the Act.

There have been no instances of fraud reported by the Statutory Auditors under Section 143(12) of the Act and Rules framed thereunder, either to the Company or to the Central Government.

## **24. MATERIAL CHANGES AND COMMITMENTS AFFECTING FINANCIAL POSITION OF THE COMPANY**

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

## 25. SIGNIFICANT AND MATERIAL ORDERS PASSED BY THE REGULATORS OR COURTS

As on date of this report, there are no significant and material orders passed by the Regulators or Courts or Tribunals impacting the going concern status and operations of the Company in future.

## 26. PARTICULARS OF EMPLOYEES

The information on employees' particulars as required under Section 197 (12) of the Act read with Rule 5 (2) and 5 (3) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 (as amended), is annexed to this Report. In terms of Section 136 of the Act, the Report and Financial Statements are being sent to the Members and others entitled thereto, excluding aforesaid Annexure. The said information is available for inspection by any members at the Registered Office of the Company on any working day (i.e. except Saturday,

Sunday and Public Holidays) up to the date of Annual General Meeting. Any Member interested in obtaining a copy of the same may write to the Company Secretary.

## 27. ACKNOWLEDGEMENT

The Board express its appreciation for the contribution, co-operation and confidence reposed by SPG Prints B.V. – the Parent Company. The Directors further express their deep sense of gratitude to the Central and State Government Ministries and departments, shareholders, customers, suppliers, business associates, bankers, employees, and all other stakeholders for their support and look forward to their continued co-operation and support.

**For and on behalf of Board of Directors**

**K. M. Thanawalla**

Chairman

DIN: 00201749

Date: February 26, 2021

Place: Mumbai

**Annexure – I**

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

(Pursuant to provisions of Section 134(3)(m) of the Companies Act, 2013 read with Rule 8(3) of the Companies (Accounts) Rules, 2014).

**A. CONSERVATION OF ENERGY**

(i)	The steps taken or impact on conservation of energy	<ul style="list-style-type: none"> <li>Installed energy efficient cooling tower operating with VFD control to achieve maximum energy saving.</li> <li>Kept on replacing old parts in rotary screen electroplating baths to achieve energy saving goals.</li> <li>Maintained &amp; improved power factor by installing additional capacitor banks.</li> <li>Followed regular practice of kept replacing old inefficient lighting fixtures with LED lighting fixture.</li> <li>Ensured healthy level of energy efficiency of all the plant machinery by following effective preventive maintenance practices.</li> </ul>
(ii)	The steps taken by The Company for utilizing alternate sources of energy.	Company keeps on evaluating feasibility of utilizing various available options in market for alternate energy.
(iii)	The capital investment on energy conservation equipment's	<ul style="list-style-type: none"> <li>Installed new energy efficient cooling tower.</li> <li>Kept on replacing new energy efficient rectifiers.</li> </ul>

**B. TECHNOLOGY ABSORPTION**

(i)	The efforts made towards technology absorption	The Company continues to perform R&D activities to improve quality of products and to reduce production cost to serve its customer better.
(ii)	The benefits derived like product improvement, cost reduction, product development or import substitution	<ul style="list-style-type: none"> <li>Development of new products</li> <li>Reduction of Product cost</li> <li>Product and Process improvement</li> </ul>
(iii)	In case of imported technology (imported during the last three years reckoned from the beginning of the financial year)	Not applicable
	(a) the details of technology imported;	
	(b) the year of import;	
	(c) whether the technology been fully absorbed;	
	(d) if not fully absorbed, areas where absorption has not taken place, and the reasons thereof; and	

**FOREIGN EXCHANGE EARNINGS AND OUTGO**

(₹ in Millions)

Particulars	Amount
Earnings in foreign exchange from Goods and Services exported, Commission etc.	279.58
Value of imports of raw materials, components, stores, spares, Commission, technical know-how fees, royalty etc.	508.71



# CORPORATE GOVERNANCE REPORT

## 1. COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE

Stovec firmly believes that Corporate Governance is about upholding the highest standard of ethics, integrity, transparency and accountability in conducting affairs of the Company, so as to disseminate transparent information to all stakeholders. Stovec always seek to ensure that it attains performance goals with integrity. Corporate Governance has indeed been an integral part of the way Stovec have done business. This emanates from our strong belief that strong governance is essential in creating value on a sustainable basis. Corporate

Governance is a journey for constantly improving sustainable value creation and is an upward moving target.

## 2. BOARD OF DIRECTORS

The composition of the Board with reference to the number of Executive, Non-Executive Directors and Woman Directors, meets the requirement of Regulation 17(1) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 as amended ("Listing Regulations"). The Company has an optimum combination of Non-Executive Directors.

The present Board comprises of Six Directors which includes Non-Executive & Independent Chairman, Executive Director, Non-Executive & Non-Independent Directors & Non-Executive & Independent Director (including one Independent Woman Director) as under-

Name of Director	Executive/Non-Executive/Independent	Outside Directorship	*No. of Committee positions held outside		Name of Other Listed Entities in which He/She is Director
			Member	Chairman	
Mr. K M Thanawalla (DIN: 00201749)	Non-Executive & Independent (Chairman)	13 (Thirteen)	0	0	-
Mr. Marco Wadia (DIN: 00244357)	Non-Executive & Independent	13 (Thirteen)	4	5	- Chambal Fertilisers and Chemicals Limited - Gobind Sugar Mills Limited - Jost's Engineering Co. Limited - Zuari Agro Chemicals Limited - Zuari Global Limited
Mr. Dirk Wim Joustra (DIN: 00481154)	Non-Executive & Non-Independent	-	-	-	-
Mr. Eiko Ris (DIN: 07428696)	Non-Executive & Non-Independent	-	-	-	-
Mrs. Kiran Dhingra (DIN: 00425602)	Non-Executive & Independent	5	5	0	- Goa Carbon Limited - Astra Microwave Products Limited - Zuari Agro Chemicals Limited
Mr. Shailesh Wani (DIN: 06474766)	Executive (Managing Director)	-	-	-	-

\*Includes Audit Committee and Stakeholders' Relationship Committee only in all public companies.

In the opinion of the Board, the independent directors fulfill the conditions as specified in the Listing Regulations and are independent of the management and none of the Directors are related to any other Director.

The Board met 4 (four) times during the year i.e. February 25, 2020, June 04, 2020, August 13, 2020, and November 10, 2020 and maximum time gap between any two consecutive meetings was not more than 120 days. None of the Directors is a Director in more than 20

Companies or more than 10 Public Limited Companies or acts as an Independent Director in more than 7 Listed Companies. None of the Executive Directors act as Independent Director of more than 3 listed entities. None of the Directors is a member in more than 10 Committees or is Chairperson of more than 5 Committees amongst the Companies in which he/she hold directorships. The attendance record of the Directors at the Board as well as Annual General Meeting are as follows-

**DETAILS OF THE BOARD MEETINGS, ATTENDANCE AND SHAREHOLDING OF DIRECTORS**

Directors	No of Board Meetings held	No of Board Meetings attended	Attendance at the last AGM	No. of Shares held	% of total shares of the Company
Mr. K. M. Thanawalla (KMT)	04	04	Yes	Nil	Nil
Mr. Dirk Wim Joustra (DJ)	04	01	Yes	Nil	Nil
Mr. Eiko Ris (ER)	04	04	Yes	Nil	Nil
Mr. Marco Wadia (MW)	04	04	Yes	3700	0.177
Mrs. Kiran Dhingra (KD) (Appointed w.e.f. 01.04.2020)	04	03	Yes	Nil	Nil
Mr. Shailesh Wani (SW)	04	04	Yes	Nil	Nil
Ms. Sangeeta Sachdev (Ceased w.e.f. 16.07.2020)	04	Nil	No	Nil	Nil

**DISCLOSURE OF EXPERTISE OR SKILLS OF DIRECTORS**

The Board has identified the following skill set with reference to its Business and Industry which are available with the Board:

Sr.	List of core skills/expertise/ competence	KMT	DJ	ER	MW	KD	SW
a)	Knowledge of the Manufacturing sector and Textile Industry	✓	✓	✓	✓	✓	✓
b)	General Business Understanding, Administration and management	✓	✓	✓	✓	✓	✓
c)	Sales and Marketing Functions	✓	✓	-	✓	-	✓
d)	Business Strategy Formation	✓	✓	✓	✓	✓	✓
e)	Corporate Strategy/Restructuring	✓	✓	✓	✓	✓	✓
f)	Finance, Accounting and Costing	✓	-	✓	✓	✓	✓
g)	Legal, Regulatory Compliance	-	✓	✓	✓	-	-
h)	Corporate Governance	✓	✓	✓	✓	✓	✓
i)	Human Resource Management	✓	✓	-	-	✓	✓
j)	Risk Management and Mitigation Planning	✓	✓	✓	✓	✓	✓

**APPOINTMENT / RE-APPOINTMENT OF DIRECTORS:**

The disclosure regarding appointment/re-appointment of Directors has been given under Sr. No. 9 of Director's Report.

**ANNUAL PERFORMANCE EVALUATION**

The Annual Performance Evaluation of Board, Committees of Board and each Director including Chairman of the Board was carried out through a structured questionnaire. Pursuant to the provisions of the Companies Act, 2013 and Listing Regulations, the Board of Directors/Independent Directors (as applicable) has undertaken an evaluation of their own performance, the performance of Committees of Board and of all the individual Directors including Chairman of the Board based on various parameters relating to roles, responsibilities, obligations, level and effectiveness of participation e.g. inputs provided by the Director based on his/her knowledge, skills and experience, independence in judgment, understanding of the Company's business and strategy, guidance on corporate strategy, sharing knowledge and experience in their respective areas, contribution of Directors at meetings and functioning of Committees. The result of above performance evaluation was presented to the Nomination and Remuneration Committee and the Board of Directors (as applicable).

The Board of Directors (excluding the Director being evaluated) evaluated the performance of Mr. K. M. Thanawalla, Mr. Marco Wadia, and Mrs. Kiran Dhingra Independent Directors of the Company and determined that all Independent Directors shall continue with their present term of appointment,

The Independent Directors in their meeting assessed the quality, sufficiency and timeliness of flow of information between the Company Management and the Board which is necessary for the Board to effectively and reasonably perform their duties and found them satisfactory.

**FAMILIARISATION PROGRAMME FOR INDEPENDENT DIRECTORS**

The Independent Directors are familiarized by the management with respect to their roles and responsibilities, an overview of the industry, the Company's business model, the risks and opportunities through various presentations at meeting of the board of directors of the Company and that the regulatory updates also being circulated to the Board from time to time towards familiarization programme. The details of familiarisation Programme is available at the website of the Company [www.stovec.com](http://www.stovec.com) at <https://www.spgprints.com/uploads/documents/Stovec/News/Familiarization-Programme.pdf>.

### 3. COMMITTEES OF THE BOARD

The Committees of the Board are constituted as per the Companies Act, 2013 and Listing Regulations

#### 3.1 AUDIT COMMITTEE

The terms of reference of the Audit Committee are in line with the requirement of Section 177 of the Companies Act, 2013 and rules framed thereunder and as per Listing Regulations.

The terms of reference of Audit Committee are briefly described below:

- (i) Review Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible and also to examine the financial statement and the auditors' report thereon;
- (ii) Review with the management, of the annual financial statements before submission to the Board for approval, with particular reference to:
  - a. Matters required to be included in the Director's Responsibility Statement forming part of the Board's report in terms of clause (c) of sub-section 3 of Section 134 of the Companies Act, 2013 or any amendment or re-enactment thereof;
  - b. Changes, if any, in accounting policies and practices and reasons for the same;
  - c. Major accounting entries involving estimates based on the exercise of judgment by management;
  - d. Significant adjustments made in the financial statements arising out of audit findings;
  - e. Compliance with listing and other legal requirements relating to financial statements;
  - f. Disclosure of any related party transactions;
  - g. Qualifications in the draft audit report.
- (iii) Review with the management of the quarterly financial statements before submission to the Board for approval
- (iv) Recommending to the Board, the appointment, re-appointment, terms of appointment/re-appointment, fixation of audit fees and, if required, the replacement or removal of the Auditor;
- (v) Approval of payment to Statutory Auditors for any other services rendered by the Statutory Auditors;
- (vi) Review and monitor the auditor's independence and performance and effectiveness of audit process;
- (vii) Discussion with Statutory Auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern;
- (viii) May call for the comments of the auditors about internal control systems, the scope of audit, including the observations of the auditors and review of financial statement before their submission to the Board and may also discuss any related issues with the Internal and Statutory Auditors and the Management of the Company;
- (ix) Reviewing with the Management, performance of Statutory and Internal Auditors, adequacy of the internal control systems;
- (x) Review of the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit;
- (xi) Discussion with Internal Auditors of any significant findings and follow up there on;
- (xii) Evaluation of internal financial controls and risk management systems;
- (xiii) Reviewing the findings of any internal investigations by the Internal Auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board;
- (xiv) Review of information relating to:
  - a) Management discussion and analysis of financial condition and results of operations;
  - b) Statement of significant related party transactions submitted by management;
  - c) Management letters / letters of internal control weaknesses issued by the Statutory Auditors;
  - d) Internal Audit reports relating to internal control weaknesses;
  - e) The appointment, removal and terms of remuneration of the Chief internal auditor
- (xv) Approval or any subsequent modification of transactions of the Company with related parties;
- (xvi) Scrutiny of inter-corporate loans and investments;
- (xvii) Reviewing with the management, the statement of uses / application of funds raised through an issue (public issue, rights issue, preferential issue, etc.), The statement of funds

utilised for purposes other than those stated in the offer document / prospectus / notice and the report submitted by the monitoring agency monitoring the utilisation of proceeds of a public or rights issue, and making appropriate recommendations to the Board to take up steps in this matter;

- (xviii) Valuation of undertakings or assets of the Company, wherever it is necessary;
- (xix) To look into the reasons for substantial defaults in the payment to the depositors, if any, debenture holders, if any, shareholders (in case of non-payment of declared dividends) and creditors;
- (xx) To review the functioning of the Whistle Blower/ Vigil Mechanism; Details of establishing the Vigil Mechanism have been disclosed on the Company's website and in the Director's Report;
- (xxi) Approval of appointment of CFO (i.e., the whole-time Finance Director or any other person heading the finance function or discharging that function) after assessing the qualifications, experience and background, etc.

of the candidate;

- (xxii) To review the financial investments, in particular, the investments made by the unlisted subsidiary company;
- (xxiii) Other matters as may be prescribed from time to time to be dealt with or handled by the Audit Committee pursuant to provisions of the Companies Act, 2013, the Rules framed thereunder, the Listing Regulation and the guidelines, circulars and notifications issued by Securities and Exchange Board of India ("SEBI")/Ministry of Corporate Affairs ("MCA") from time to time.
- (xxiv) Reviewing the utilisation of loans and/ or advances from/investment by the holding company in the subsidiary exceeding rupees 100 crore or 10% of the asset size of the subsidiary, whichever is lower including existing loans / advances / investments existing as on the date of coming into force of this provision.
- (xxv) Carrying out any other function as may be assigned to the Committee by the Board from time to time;

#### COMPOSITION & ATTENDANCE AT THE MEETING

The composition of the Audit Committee and details of meetings attended by the Members of the Audit Committee during the FY 2020 are given below:

Directors	Position held in Committee	Independent/Executive/ Non-Executive	No. of Meeting held	No. of Meetings attended
Mr. K. M. Thanawalla	Chairman	Independent & Non-Executive Director	04	04
Mr. Marco Wadia	Member	Independent & Non-Executive Director	04	04
Mr. Shailesh Wani	Member	Managing Director	04	04

The Committee met 4 (four) times during the year i.e. February 25, 2020, June 04, 2020, August 13, 2020 and November 10, 2020.

Company Secretary act as the Secretary to the Committee. The Chairman of the Audit Committee was present in the last Annual General Meeting to answer the shareholders queries.

#### 3.2 NOMINATION AND REMUNERATION COMMITTEE:

The terms of reference of the Nomination and Remuneration Committee have been formulated in line with the requirement of Section 178 of the Companies Act, 2013 and rules framed thereunder and as per Listing Regulations.

##### TERMS OF REFERENCE

Brief terms of reference of Nomination and Remuneration Committee are as under:

- Formulation of the criteria for determining qualifications, positive attributes and independence of a director and recommend to the Board a policy, relating to the remuneration of the directors, key managerial personnel and other employees;
- Formulation of criteria for evaluation of Independent Directors and the Board;
- Devising a policy on Board diversity;
- Identifying 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.
- Whether to extend or continue the term of appointment of the independent director.
- Recommend to the board, all remuneration, in whatever form, payable to senior management.



**COMPOSITION & ATTENDANCE AT THE MEETING**

The composition of the Nomination and Remuneration Committee and details of meetings attended by the Members of the Nomination and Remuneration Committee during the FY 2020 are given below:

Directors	Position held in Committee	Independent/Executive/Non-Executive	No. of Meeting held	No. of Meetings attended
Mr. Marco Wadia	Chairman	Independent & Non-Executive Director	02	02
Mr. K. M. Thanawalla	Member	Independent & Non-Executive Director	02	02
Mr. Eiko Ris	Member	Non-Executive Director	02	02

The Nomination and Remuneration Committee met 2 (two) times during the year on February 25, 2020 and August 13, 2020. Company Secretary act as the Secretary to the Committee.

**REMUNERATION POLICY:**

The Remuneration policy of the Company is performance driven and structured to motivate employees, recognise their merits and achievements, in order to retain the talent in the Company and stimulate excellence in their performance.

The Board of Directors/Nomination and Remuneration Committee is authorised to decide the remuneration of the Managing Director/ Executive Director's, subject to the approval of the Members. Remuneration comprises of fixed Components viz. Salary, perquisites and allowances and a variable component comprising of Gross Bonus of minimum 38% and maximum of 50% of annual fixed salary (as per the scheme applicable to Managing Directors' of SPGPrints Operating Companies) based on the targets achieved. The Managing Director will be entitled to bonus provided the conditions for awarding bonus have been met. The performance evaluations and the criteria thereof is given hereinabove in the report.

The Nomination & Remuneration Policy of the Company is available on the website of the Company at [www.stovec.com](http://www.stovec.com).

The Directors' remuneration and sitting fees paid/ payable in respect of the FY 2020 are given below:

**(A) MANAGING DIRECTOR REMUNERATION:**

The details of remuneration to Managing Director are as follows:

(₹ in Millions)

Name	Salary & Allowances	Perquisites & Benefits	Contribution to Provident and other Funds	Total
Mr. Shailesh Wani	12.65	1.02	0.89	14.56*

\*Remuneration includes variable pay on provisional basis.

**SERVICE CONTRACT AND NOTICE PERIOD OF THE MANAGING DIRECTOR/EXECUTIVE DIRECTOR:**

Mr. Shailesh Wani's contract as a Managing Director is for a period of 3 years commencing from October 1, 2019 to September 30, 2022, terminable by six months' notice by either side or amount equivalent to six months' salary in lieu thereof.

**(B) NON-EXECUTIVE DIRECTORS:**

The Independent Directors' are paid remuneration by way of Sitting fees for attending Board/ Committee Meetings and Commission. During the year, Independent Directors were paid remuneration as under:

(₹ in Millions)

Name	Sitting Fees*	Commission	Total
Mr. K. M. Thanawalla	0.28	1.49	1.77
Mr. Marco Wadia	0.27	0.51	0.78
Mrs. Kiran Dhingra	0.11	-	0.11

\*Exclusive of Goods and Service Tax (as applicable).

**NOTE:**

- Directors other than Independent Directors opted not to accept any sitting fees for attending Board/ Committee Meetings, as applicable.
- During the year, there were no pecuniary relationships or transactions between the Non-Executive Directors and the Company.

**COMMISSION**

The Members of the Company at its 46<sup>th</sup> Annual General Meeting held on September 16, 2020 have approved payment of Commission to Independent Directors within the overall ceiling of not exceeding 1% (one percent) or such other percentage as may be prescribed in the Act from time to time, of the net profits of the Company (computed in the manner provided in Section 198 of the Act or as may be prescribed by the Act or Rules framed thereunder from time to time) for each financial year, for a period of three financial years commencing from January 1, 2020, with Powers to Board /Committee thereof to decide the amount to be paid as Commission to Independent Directors, within the above referred ceiling of Commission.

The amount of Commission payable to each Independent Director is decided by the Board of Directors based on the recommendation of Nomination and Remuneration Committee and distributed among the Independent Directors based on their attendance, contribution in decision making, Role and Responsibility as a Chairman/ Member of the Board/Committee etc.

Besides above, the Company does not pay any other commission or remuneration to its Non-Executive Directors.

### 3.3 STAKEHOLDERS RELATIONSHIP COMMITTEE

The terms of reference of the Stakeholders Relationship Committee have been formulated in line with the requirement of Section 178 of the Companies Act, 2013 and rules framed thereunder and as per Listing Regulations.

#### TERMS OF REFERENCE:

The brief terms of reference of the Stakeholders Relationship Committee are as under:

- Resolving the grievances of the security holders of the listed entity including complaints related to transfer/transmission of shares, non-receipt of annual report, non-receipt of declared dividends, issue of new/duplicate certificates, general meetings etc.
- Review of measures taken for effective exercise of voting rights by shareholders.
- Review of adherence to the service standards adopted by the listed entity in respect of various services being rendered by the Registrar & Share Transfer Agent.
- Review of the various measures and initiatives taken by the listed entity for reducing the quantum of unclaimed dividends and ensuring timely receipt of dividend warrants/annual reports/statutory notices by the shareholders of the Company.

#### COMPOSITION

The composition of the Stakeholder's Relationship Committee is as under:

Directors	Position held in Committee	Independent/ Executive/Non-Executive Director
Mr. K. M. Thanawalla	Chairman	Independent & Non-Executive Director
Mr. Shailesh Wani	Member	Managing Director
Mr. Eiko Ris	Member	Non-Executive Director

During the year under report, the committee met on February 25, 2020 and all the members were present

at the meeting. The Chairman of the Committee was present in the last Annual General Meeting to answer the shareholders queries. Company Secretary act as the Secretary to the Committee.

#### COMPLIANCE OFFICER:

Mr. Sanjeev Singh Sengar, Company Secretary, is the Compliance Officer of the Company and can be contacted at: -

#### Stovec Industries Limited

N.I.D.C., Nr. Lambha Village, Post: Narol, Ahmedabad, Gujarat – 382 405, India.

Tel: +91 79 6157 2300 • Fax: +91 79 2571 0406

Email: [secretarial@stovec.com](mailto:secretarial@stovec.com)

Complaints or queries relating to the shares can be forwarded to the Company's Registrar and Transfer Agents 'M/s Link Intime India Private Limited' at [ahmedabad@linkintime.co.in](mailto:ahmedabad@linkintime.co.in). The Compliance officer has been regularly interacting with the Share Transfer Agents to ensure that shares related complaints of the investors are attended to without undue delay and where deemed expedient the complaints are referred to the committee or discussed at the meetings.

The status on the total number of complaints received during the FY 2020 are as follows: -

Complaints Received	Resolved during the Year	Pending as on 31.12.2020
1	2	0

### 3.4 CORPORATE SOCIAL RESPONSIBILITY COMMITTEE

#### TERMS OF REFERENCE:

The Committee is primarily responsible for formulating and recommending to the Board of Directors a Corporate Social Responsibility (CSR) Policy and monitoring the same from time to time, amount of expenditure to be incurred on the activities pertaining to CSR and monitoring CSR activities.

#### COMPOSITION:

The composition of the Corporate Social Responsibility Committee is as under:

Directors	Position held in Committee	Independent / Executive / Non-Executive Director	No. of Meetings Held	No. of Meetings attended
Mr. Shailesh Wani	Chairman	Managing Director	1	1
Mr. K. M. Thanawalla	Member	Independent Director	1	1
Mr. Eiko Ris	Member	Non-Executive Director	1	1

During the year, the Corporate Social Responsibility Committee met 1 (one) times i.e. on February 25, 2020.

#### CSR POLICY:

The Company has formulated CSR Policy and the same is available at the website of the Company at

[www.stovec.com](http://www.stovec.com) at [https://www.spgprints.com/uploads/documents/Stovec/Stovec-policies/CSR\\_Policy.pdf](https://www.spgprints.com/uploads/documents/Stovec/Stovec-policies/CSR_Policy.pdf).

Company Secretary acted as the Secretary to the Committee.

### 3.5 OTHER COMMITTEES

#### COMMITTEE OF DIRECTORS

Directors	Position held in Committee	Independent/ Executive / Non-Executive Director
Mr. K. M. Thanawalla	Chairman	Independent & Non-Executive Director
Mr. Marco Wadia	Member	Independent & Non-Executive Director

During the year 2020, no meeting of Committee of Directors was held.

### 3.6 SEPARATE INDEPENDENT DIRECTOR'S MEETING

Pursuant to the Act and Regulation 25 of Listing Regulations, the Company's Independent Directors met on February 25, 2020 during the year under review without the presence of Non-Independent Directors and members of the Management.

### 4. CODE OF BUSINESS CONDUCT AND ETHICS:

The Company has in place, a Code of Business Conduct and Ethics for its Board Members, Senior Management and Employees. The Board and the Senior Management affirm compliance with the code annually.

### 5. GENERAL BODY MEETINGS' DISCLOSURES:

Location and time of Annual General Meetings in the past 3 financial years:

Year	Location	Date	Time
FY 2019	Through Video Conference	Sep 16, 2020	3.00 pm
FY 2018	Registered Office at	May 9, 2019	11:00 am
FY 2017	N.I.D.C., Nr. Lambha Village, Post: Narol, Ahmedabad- 382405	May 2, 2018	11:00 am

The following Special Resolutions were passed at Annual General Meetings held in the past 3 financial years:

#### Summary

##### Sep 16, 2020

1. Re-appointment of Mr. K. M. Thanawalla (DIN:00201749), as an Independent Director of the Company for a second term of 5 (five) consecutive years
2. Re-appointment of Mr. Marco Wadia (DIN: 00244357), as an Independent Director of the Company for a second term of 5 (five) consecutive years

3. Approval of payment of commission to Mr. K. M. Thanawalla, Chairman (Independent Director) for the financial year 2019, exceeding fifty per cent of the total Commission payable to all the Independent Directors of the Company

#### May 09, 2019

Re-appointment of Mr. Shailesh Wani as Managing Director of the Company

#### May 02, 2018

None

#### Postal Ballot:

During the year under review, no special resolution was passed nor proposed to be conducted through postal ballot in terms of Section 110 of the Companies Act, 2013 read with Rule 22 of the Companies (Management and Administration) Rules, 2014.

### 6. DISCLOSURE

- 6.1 There were no materially significant related party transactions entered during the year that may have potential conflict with the interests of the Company at large.
- 6.2 The Company has complied with all rules and regulations prescribed by Stock Exchanges, Securities and Exchange Board of India or any other statutory authority relating to the capital markets. No penalties or strictures have been imposed by any of them on the Company during the last 3 years. However, SEBI has imposed settlement charges for ₹ 5,84,350/- (Rupees Five Lakhs Eighty-Four Thousand Three Hundred and Fifty only) vide its order passed on April 15, 2019 toward settlement of delayed disclosure under SEBI SAST Regulation to the Stock Exchange, on Company's suo moto application.
- 6.3 Pursuant to the provisions of Regulation 17 (8) of the Listing Regulations, the Managing Director and the Chief Financial Officer have issued a certificate to the Board for the financial year ended December 31, 2020.
- 6.4 During the year under review, the Company has complied with the corporate governance requirements specified in Regulation 17 to 27 and clauses (b) to (i) of sub-regulation 2 of Regulation 46 of Listing Regulations.
- 6.5 **Whistle Blower Policy:**  
The Company has in place a Whistle Blower Policy through which Directors, Employees and other Stakeholders may report their genuine concerns or grievances. The Whistle Blower Policy of the Company has been disclosed on the website of the Company. No personnel have been denied access to the Audit Committee to report its genuine concerns or grievances.

## 6.6 Related Party Transactions

There were no materially significant related party transactions entered into by the Company during the FY 2020. Related Party Transaction Policy has been formulated in order to regulate the transactions between Company and Related Parties. The Related Party Transaction Policy is available at the website of the Company at [www.stovec.com](http://www.stovec.com) at <https://www.spgprints.com/uploads/documents/Stovec/Stovec-policies/Related-party-10.11.2020.pdf>.

## 6.7 Risk Management

As required by Listing Regulations, the Risk Management Policy has been formulated and the same is available at the website of the Company at [www.stovec.com](http://www.stovec.com).

## 6.8 Policy for Prohibition of Insider Trading and Code of Conduct for Fair Disclosures

The Company has adopted a Code of Conduct for Regulating, Monitoring and Reporting of Trading by Insiders and Code of Conduct for fair disclosures pursuant to SEBI (Prohibition of Insider Trading) Regulations, 2015 (as amended).

## 6.9 Policy for determining Material Subsidiaries

The Company has formulated Policy for determining Material Subsidiaries and the same is available at the website of the Company at [www.stovec.com](http://www.stovec.com) at [https://www.spgprints.com/uploads/documents/Stovec/Stovec-policies/Policy\\_for\\_determining\\_Material\\_Subsidaries.pdf](https://www.spgprints.com/uploads/documents/Stovec/Stovec-policies/Policy_for_determining_Material_Subsidaries.pdf).

## 6.10 Policy for determining Material Information

As required by Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Board of Directors have approved the Policy for determining Material Information and is available at the website of the Company at [www.stovec.com](http://www.stovec.com) at [https://www.spgprints.com/uploads/documents/Stovec/Stovecpolicies/Policy\\_for\\_determining\\_Material\\_Information.pdf](https://www.spgprints.com/uploads/documents/Stovec/Stovecpolicies/Policy_for_determining_Material_Information.pdf).

## 6.11 Policy for Preservation of Documents and Archival Policy

As required by Regulation 9 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Board of Directors have approved the Policy for Preservation of Documents and Archival Policy and the same is available at the website of the Company at [www.stovec.com](http://www.stovec.com) at [https://www.spgprints.com/uploads/documents/Stovec/Stovec-policies/Policy\\_for\\_Preservation\\_of\\_Documents\\_Archival\\_Policy.pdf](https://www.spgprints.com/uploads/documents/Stovec/Stovec-policies/Policy_for_Preservation_of_Documents_Archival_Policy.pdf).

## 6.12 Disclosure of Accounting Treatment

The Company in the preparation of financial statements has followed the treatment laid down

in the Accounting Standards prescribed by the Institute of Chartered Accountants of India. There are no audit qualifications in the Company's financial statements for the year under review.

## 6.13 Disclosure of Commodity Price Risks, Foreign Exchange Risk and Commodity Hedging Activities

High quality Nickel is being imported regularly as per Purchase guidelines of the Company. The Company's performance may get impacted in case of substantial change in prices of Nickel or Foreign Exchange rate fluctuations. However, Company takes forward cover as per its forex risk coverage policy. The Company does not undertake commodity hedging activities.

The risk management policy has been put in place to address the risks associated with the business of the Company including commodity price risk and mechanism to continuously monitor the movement in commodity prices and take appropriate action to ensure better cost control. During the year, the Company has no material price risk exposure.

## 6.14 Credit Rating

The requirement of disclosure relating to list of all credit ratings obtained by the entity along with any revisions thereto during the relevant financial year, for all debt instruments of such entity or any fixed deposit programme or any scheme or proposal of the listed entity involving mobilisation of funds, whether in India or abroad is not applicable to the Company.

## 6.15 Details of utilisation of funds raised through preferential allotment or qualified institutions placement

During the year, the Company has not raised funds through the preferential allotment or qualified institutions placement as specified under Regulation 32 (7A).

## 6.16 Certificate from a company secretary in practice regarding disqualification of Directors

The company has obtained the certificate from M/s Sandip Sheth & Associates, confirming that none of the directors on the board of the company have been debarred or disqualified from being appointed or continuing as directors of companies by the SEBI/ Ministry of Corporate Affairs or any such statutory authority. The certificate of non-disqualification is appended to this Report.

## 6.17 Regarding non-acceptance of Recommendation of any committee

The Board of Directors have accepted every recommendation made by any committee of the board.

## 6.18 Regarding fees paid to the Statutory Auditor on a consolidated basis

Details relating to fees paid to the Statutory Auditors is given in the Notes 25 to the Financial Statements.



### 6.19 Disclosure in relation to Sexual Harassment of Women at Workplace

The disclosure has been given at Sr. No. 22 to the Directors' Report.

### 6.20 Adoption of Non-Mandatory Requirements of Listing Regulations

- The Company has separate persons for the position of Chairman and Managing Director. Mr. K. M. Thanawalla is a Chairman (Independent & Non - Executive) and Mr. Shailesh Wani is the Managing Director of the Company.
- The audit report of the Company's Financial Statements for the year ended December 31, 2020 is unmodified.
- The Internal Auditor reports directly to the Audit Committee.

## 7. SUBSIDIARY COMPANY

The Company does not have any subsidiary, Associate and joint venture company during the FY 2020.

## 8. MEANS OF COMMUNICATION

The Quarterly Results were published in Business Standard (English) and Jaihind (Gujrati) and simultaneously hosted on the Company's website [www.stovec.com](http://www.stovec.com) and also submitted with the BSE Limited (BSE). All the required disclosures and information are hosted on the Company's website for the benefit of the shareholders and is available. The Annual Report of the Company is also available on the website in a user friendly and downloadable form.

## 9. GENERAL INFORMATION FOR MEMBERS

### 9.1 Annual General Meeting:

Day, Date and Time	Tuesday, May 11, 2021 at 02.00 PM
Venue	Through VC/OAVM from the Registered office of the Company

### 9.2 Financial Calendar:

Financial Year	FY 2020
Date of Book Closure	May 05, 2021 to May 11, 2021 (Both day inclusive)
Dividend Payment Date	On or before June 10, 2021.

### 9.3 Listing:

The Company's equity shares are listed on the BSE Limited (BSE) and the Company has paid annual listing fees to BSE for year 2020. The Ahmedabad Stock Exchange (ASE) vide its letter dated January 11, 2017 communicated to the Company that it is non-functional and under exit policy, thereby no need to make any compliance with ASE.

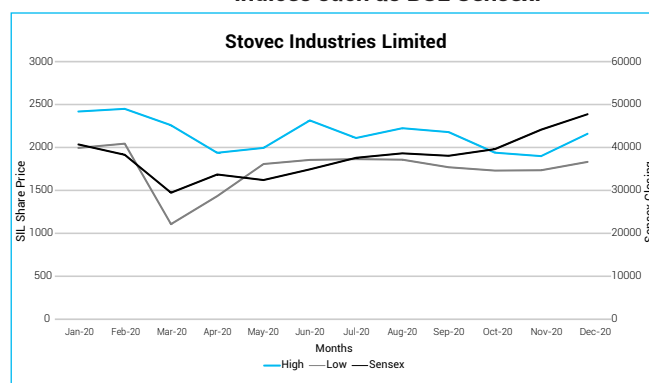
The following are the listing details of the Company's Shares:

Type of Shares	ISIN No.	BSE Stock Code
Ordinary Shares	INE755D01015	504959

### 9.4 Market Information:

Month	BSE		
	High (₹)	Low (₹)	BSE SENSEX
Jan-20	2,419.45	1995.00	40,723.49
Feb-20	2,450.00	2,045.00	38,297.29
Mar-20	2,260.00	1,107.95	29,468.49
Apr-20	1,938.00	1,435.00	33,717.62
May-20	1,994.80	1,808.00	32,424.10
Jun-20	2,314.75	1,856.05	34,915.80
Jul-20	2,111.00	1,865.00	37,606.89
Aug-20	2,225.00	1,858.00	38,628.29
Sep-20	2,180.00	1,770.00	38,067.93
Oct-20	1,940.00	1,731.00	39,614.07
Nov-20	1,899.95	1,735.25	44,149.72
Dec-20	2,160.00	1,831.95	47,751.33

### Performance in comparison to broad-based indices such as BSE Sensex:



\*Source: [www.bseindia.com](http://www.bseindia.com)

### 9.5 Registrar and Transfer Agents: -

For transfer lodgment, delivery and correspondence related to Shares, Members are requested to do correspondence with the Company's Registrar and Share Transfer Agents - M/s Link Intime India Private Limited quoting their folio no. at the following address: -

M/s Link Intime India Private Limited  
5<sup>th</sup> Floor, 506 to 508,  
Amarnath Business Center -I (ABC-I),  
Besides Gala Business Center,  
Nr. St. Xavier's College Corner, Off. C.G. Road,  
Navrangpura, Ahmedabad - 380 009, Gujarat.  
Tel: +91(0) 79 - 2646 5179/86/87  
Fax: +91(0) 79 - 2646 5179.  
[ahmedabad@linkintime.co.in](mailto:ahmedabad@linkintime.co.in)

## 9.6 Share Transfer System:

The Board has issued Power of Attorney to Registrar and Share Transfer Agent, M/s. Link Intime India Pvt. Ltd., to approve transfer of shares.

## 9.7 Reconciliation of Share Capital Audit & Certificate pursuant to Regulation 40 (9) of Listing Regulations:

A qualified Practicing Company Secretary carried out a Reconciliation of Share Capital Audit to reconcile the total admitted capital with NSDL and CDSL and the total issued and listed capital. The audit confirms that the total issued/paid up capital is in agreement with the aggregate of the total number of shares in

physical form and in dematerialised form (held with NSDL and CDSL).

Pursuant to Regulation 40 (9) of Listing Regulations, certificate on half-yearly basis have been issued by a Practicing Company Secretary for due compliance of share transfer formalities by the Company.

## 9.8 Report on Corporate Governance:

The Company regularly submits to the Stock Exchanges, within the prescribed period, quarterly reports on Corporate Governance. A Certificate from the Practicing Company Secretary on Compliance of conditions of Corporate Governance is attached as annexure to the Report.

## 9.9 Shareholding Pattern of the Company:

Category	As on December 30, 2020		As on December 31, 2019	
	No of Shares	%	No. of Shares	%
Promoters & Promoter Group	1,483,777	71.06	1,483,777	71.06
Mutual Funds/UTI	0	0.00	0	0.00
Investor Education and Protection Fund	31,690	1.52	29,948	1.43
Financial Institutions/Banks	965	0.05	1,102	0.05
Bodies Corporate	58,047	2.78	31,045	1.49
NRIs (Repatriable)	3,321	0.16	6,274	0.30
NRIs (Non-Repatriable)	10,211	0.49	9,871	0.47
Clearing Members	1,357	0.07	270	0.01
Directors & their Relatives	5,864	0.28	5,864	0.28
Individuals/HUF	4,92,784	23.60	5,19,865	23.92
<b>TOTAL</b>	<b>2,088,016</b>	<b>100.00</b>	<b>2,088,016</b>	<b>100.00</b>

## 9.10 Distribution of Shareholding as on December 31, 2020

Range of Shares	No. of Shareholders	% of total Shareholders	No. of Shares	% of Total Shares
1 - 500	6581	98.0483	290919	13.9328
501 - 1000	70	1.0429	51414	2.4623
1001 - 2000	31	0.4619	45331	2.1710
2001 - 3000	9	0.1341	22364	1.0711
3001 - 4000	8	0.1192	27444	1.3144
4001 - 5000	2	0.0298	9296	0.4452
5001 - 10000	5	0.0745	29302	1.4033
10001 or more	6	0.0894	1611946	77.1999
<b>TOTAL</b>	<b>6712</b>	<b>100</b>	<b>2088016</b>	<b>100</b>

## 9.11 Shareholders (holding in excess of 1% of capital) as on December 31, 2020:

Name of Shareholders	No. of Shares held	% of Share Capital
SPGPrints B.V.	14,83,777	71.0616
Plutus Wealth Management LLP	35,000	1.6762
IEPF, MCA	31,690	1.5177
Nanda Kishore Sharma	24,020	1.1504
Amit Shantilal Motla	20,938	1.0028

## 9.12 Dematerialisation of Shares & Liquidity:

As on December 31, 2020, shares comprising 96.80% of the Company's Equity Share Capital have been dematerialised.

**ISIN No. :- INE755D01015**

**9.13 Plant Location & Address for Correspondence:****STOVEC INDUSTRIES LIMITED**

Address : N.I.D.C., Nr. Lambha Village, Post:  
Narol, Ahmedabad,  
Gujarat – 382 405, India.

CIN : L45200GJ1973PLC050790

Tel : +91 79- 6157 2300

Facsimile No.: +91 79- 2571 0406

Website : [www.stovec.com](http://www.stovec.com)

**DECLARATION BY THE MANAGING DIRECTOR UNDER  
PART D OF SCHEDULE V OF SEBI (LISTING OBLIGATIONS  
AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2015  
REGARDING ADHERENCE TO THE CODE OF CONDUCT**

In accordance with Part D of Schedule V of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, I hereby confirm that, all the Directors and the Senior Management personnel of the Company have affirmed compliance with the Code of Business Conduct and Ethics for Board of Directors, Senior Management & Employees, as applicable to them, for the financial year ended December 31, 2020.

**For, STOVEC INDUSTRIES LIMITED**

**Shailesh Wani**

Date : February 26, 2021  
Place: Ahmedabad

Managing Director  
(DIN: 06474766)

CIN: - L45200GJ1973PLC050790  
Nominal Capital : - 3,00,00,000/-  
Paid-up Capital : - 2,08,80,160/-

**CERTIFICATE OF NON-  
DISQUALIFICATION OF DIRECTORS**

(pursuant to Regulation 34(3) and Schedule V Para C clause  
(10)(i) of the SEBI (Listing Obligations and Disclosure  
Requirements) Regulations, 2015)

To,

The Members,

**Stovec Industries Limited**

CIN: L45200GJ1973PLC050790

N.I.D.C., Near Lambha Village,

Post: Narol, Ahmedabad – 382 405, Gujarat, India.

We have examined all relevant registers, records, forms and disclosures received from the directors of **Stovec Industries Limited**, produced before us by the Company for the purpose of certifying compliance of conditions of clause 10 (i) of para C of Schedule V read with Regulation 34(3) of Chapter IV of SEBI (Listing Obligations And Disclosure Requirements)

Regulations, 2015 for the year ended on December 31, 2020. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of certification. During the course of such certification, we have relied on various information and declaration furnished by each director of the Company as at and relied on the online information available with Ministry of Corporate Affairs Portal, its filing position and other web pages.

In our opinion and to the best of our information and according to the verifications (including Directors Identification Number (DIN) status at the portal [www.mca.gov.in](http://www.mca.gov.in)) as considered necessary and explanations furnished to us by the Company & its officers, We hereby certify that none of the Directors on the Board of the Company as stated below for the Financial Year ending on December 31, 2020 have been debarred or disqualified from being appointed or continuing as Directors of Companies by the Securities and Exchange Board of India, Ministry of Corporate Affairs or any such other Statutory Authority.

Sr No.	Name of Director	Director Identification Number (DIN)	Date of appointment in the Company
1	Mr. Khurshed Meherwanji Thanawalla	00201749	28/01/2005
2	Mr. Shailesh Chandrakrishna Wani	06474766	01/10/2013
3	Mr. Dirk Wim Joustra	00481154	29/01/1999
4	Mr. Eiko Ris	07428696	12/03/2019
5	Mr. Marco Philippus Ardeshir Wadia	00244357	21/05/1999
6	Ms. Kiran Dhingra	00425602	01/04/2020

Ensuring the eligibility of for the appointment / continuity of every Director on the Board is the responsibility of the management of the Company. Our responsibility is to express an opinion on these based on our verification. Our examination was limited to the procedure and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of the clause 10 (i) of para C of Schedule V read with Regulation 34 (3) of Chapter IV of SEBI (Listing Obligations And Disclosure Requirements) Regulations, 2015 for the year ended on December 31, 2020.

**Sandip Sheth & Associates**  
**Firm Unique Code: P2001GJ041000**  
Practicing Company Secretaries

**Sandip Sheth**

Partner

FCS : 5467

CP No : 4354

Place: Ahmedabad

Date: February 26, 2021

UDIN :F005467B003579831

CIN: - L45200GJ1973PLC050790

Nominal Capital : - 3,00,00,000/-

Paid-up Capital : - 2,08,80,160/-

**CORPORATE GOVERNANCE COMPLIANCE CERTIFICATE**

To,  
The Members,  
**Stovec Industries Limited**  
CIN: L45200GJ1973PLC050790  
N.I.D.C. Nr. Lambha Village,  
Post: Narol, Ahmedabad.

We have examined all relevant records of Stovec Industries Limited for the purpose of certifying compliance of conditions of Corporate Governance under para C of Schedule V read with Regulation 34(3) of Chapter IV of SEBI (Listing Obligations And Disclosure Requirements) Regulations, 2015 for the year ended on December 31, 2020. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of certification.

The compliance of the conditions of Corporate Governance is the responsibility of the management. Our examination was limited to the procedure and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company. This certificate 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.

On the basis of our examination of the records produced, explanation and information furnished, we certify that the Company has complied with all the mandatory conditions of the para C of Schedule V read with Regulation 34(3) of Chapter IV of SEBI (Listing Obligations And Disclosure Requirements) Regulations, 2015.

**Sandip Sheth & Associates**  
**Firm Unique Code: P2001GJ041000**  
Practicing Company Secretaries

**Sandip Sheth**  
Partner  
FCS : 5467  
CP No : 4354  
UDIN : F005467B003580271

Place: Ahmedabad  
Date: February 26, 2021



## MANAGEMENT DISCUSSION & ANALYSIS

### GLOBAL ECONOMIC OVERVIEW

The year 2020 saw a significant transformation in the global economic order. The year was intense and volatile for the world economy, to say the least. From lockdowns disrupting supply chains to movement-limiting restrictions affecting all businesses, it was a year that tested resilience and persistence. The coronavirus (COVID-19) pandemic spread at an alarming speed, infecting millions and costing many lives worldwide. Governments across the globe imposed series of strict lockdowns to curb the spread of the virus, resulting in one of the most severe economic contraction since the Great Depression. Collectively, these measures led to reduced cross-border travel and accelerated job losses. As a result, gross domestic product (GDP) plunged to record lows across economies.

A stunning increase in spending by the Governments across the world, cushioning the economic damage, was witnessed. Additionally, central banks also slashed interest rates and injected liquidity into the financial system. The International Monetary Fund (IMF) forecasted the global economy to shrink to (-)3.5% in 2020 which is 0.9% higher from their earlier projection.

The first half of 2020 witnessed a slump in the flow of global foreign direct investment (FDI) across the developed economies. A sluggish demand for crude oil drastically declined the oil prices in the international markets. The US Federal Reserve slashed interest rates to near zero, leading to a powerful policy response and consumer rebound. However, changes in the US administration is anticipated to bring in a likely change in the global economy's course in near future.

With eased lockdowns and rapid deployment of policy support by central banks and governments, the global economy is gradually emerging from the depths of its collapse in the first half of 2020. China is witnessing a growth rebound led by the industrial sector and strong exports. More recently, its recovery base has slowly started broadening to service sector and consumers as well. Europe, on the other hand, has fallen marginally behind with resurgence of new cases, slowing the recovery momentum from its previous robust pace. However, the recent progress in coronavirus vaccines has boosted confidence, lifting optimism on recovery.

### OUTLOOK

Despite the pandemic, the economic activity appears to be adapting to subdued contact-intensive activity with the passage of time. Additional policy measures, announced in the United States and Japan at the end of 2020, are expected to counter the downturn and support the global economy in FY 2022. Financial conditions are also expected to persist broadly at current levels for advanced economies while gradually

improving for emerging market and developing economies. Together, these developments indicate a stronger starting point for FY 2022's global growth outlook.

Multiple vaccine approvals have raised hopes of an eventual end to the pandemic. According to the IMF, the global economy is projected to grow at 5.5% and 4.2% in 2021 and 2022, respectively. However, new variants of the virus, renewed lockdowns, logistical and storage problems with vaccine distribution, and uncertainty about take-up are important counterpoints to a favourable outlook. A lot remains to be done on the health and economic policy fronts to ensure a sustained recovery.

(Source: IMF, Business standard, UNCTAD)

### INDIAN ECONOMIC OVERVIEW

The calendar year 2020 started on a rather weak note for the Indian economy. With the slowest GDP growth rate recorded right at the beginning to entering a technical recession towards the end, the year unfolded quite dramatically. And yet, 2020 brought along unprecedented crisis and uncharted opportunities for the Indian economy. The phased out lockdowns, imposed to contain the spread of COVID-19, cratered employment, business, trade, manufacturing, and service activities across sectors. The Reserve Bank of India (RBI) promptly responded and implemented adequate measures like slashing interest rates, announcing fiscal stimulus package and allowing loan moratorium facilities, among others, for the economy's revival.

The demand side of the GDP reflected continued weakness during the year, in both consumption and investment demand. On the supply side, the sharpest contraction was experienced in construction followed by trade, manufacturing, hotels, transport and communication services. CPI inflation remained high at 6.9% in November 2020. The unemployment rate, as calculated by the CMIE, rose to 23.5% during the period April-May 2020, before further reducing to 9.1% in December 2020.

According to the data released by the Ministry of Statistics and Programme Implementation (MoSPI), real GDP contracted at a slower pace of (-)7.5% in Q2 of FY 2021 as compared to (-)23.9% in Q1 of FY 2021. This was due to phased relaxation of lockdown, leading to a gradual resumption of economic activities. Towards the end of FY 2020, there was an improvement in manufacturing and industrial production, signaling the beginning of a V-shaped recovery. The real GDP growth is projected to contract by 7.7% in FY 2021 as compared to a growth of 4.2% in FY 2020.

Meanwhile, the Index of Industrial Production (IIP) contracted sharply by 1.9% in November 2020 as against a growth of 3.6% in October 2020. With the reduction in daily COVID infection rate and commencement of vaccination, the

economy is recovering at a much faster rate than anticipated. GST collection for January 2021 touched an all-time high of ₹ 1.19 lakh crore. While exports witnessed a growth of 5.37% in January 2021 with trade deficit narrowing down to US\$ 15 Bn. The Government, through Union Budget 2021-22, has promoted 'Atmanirbhar Bharat' with duty hikes to support 'Make in India' campaign while also encouraging overseas investments. Additionally, a slew of announcements across sectors such as health and well-being and core infrastructure is further expected to boost the growth prospects.

## OUTLOOK

The Indian economy is showing decisive and strong signs of recovery riding the confidence post the vaccine roll out, low interest rates, return of consumer confidence and measures attracting investment. With the prospects of robust growth gaining grounds in consumption and investment and a lower base effect, GDP is estimated to grow at 11% in FY 2022 (Source: Economic Survey 2020–21). However, there are key downside risks as well emanating from inflation with upward pressure on prices due to rising input cost, oil prices, unemployment and increasing non-performing assets of banks.

(Source: NCAER, Economic times, IMF, Business Today)

## INDUSTRY STRUCTURE AND DEVELOPMENTS

### Textile Industry

The Indian textile industry contributes 2.3% to the nation's GDP, accounting for 13% of the industrial production, and 12% of the country's export earnings. The industry employs around 45 Mn people currently, making it the country's second-largest employer.

The widespread impact of the COVID-19 decelerated the growth projection of the Indian textile and apparel industry. However, the Government initiated and implemented various relief measures to combat the pandemic-induced crisis caused to the sector. The mandate requiring people to use safety wear stirred a big boost to the textile industry. Yarn manufacturers modified their manufacturing units to produce personal protective equipment (PPE) kit, safety masks and gloves. Besides, growing disposable income of the society's middle and lower middle-class sections, along with population boom, also led to increased demand in the textile industry.

### Favourable Government Initiatives

In the past few years, the Government has announced various favourable policies, fostering the textile industry's growth. The Government, in the Union Budget 2021-22, declared several special measures to boost the industry. Some of these measures are stated below:

1. The Central Government announced ₹ 3,000 Bn collateral-free automatic loan for businesses, including the MSMEs to combat the impact of the pandemic. It is expected to benefit ~4.5 Mn small businesses, including many small textile and apparel units as well.

2. Launched a Production Linked Incentive (PLI) scheme worth ₹ 10,683 crore textile products – man-made Fibre (MMF) segment and technical textiles segments – to boost the domestic manufacturing, create jobs and reduce dependence on imports.
3. Launched Mega Investment Textiles Parks (MITRA) scheme in addition to the PLI scheme under which seven textile parks will be established over three years. With an estimated budget of ₹ 10,683 crore, these parks will be set up over 1,000 acre of land with world-class infrastructure. Enabling the industry to become globally more competitive, attract large investments and boost employment generation.
4. Rationalised duties on raw material inputs to manmade textiles by bringing nylon chain at par with polyester and other MMFs. The basic custom duty on caprolactam, nylon chips and nylon fiber & yarn will be reduced from 7.5% to 5%, helping the textile industry, MSMEs, and exports.
5. The Union Cabinet approved and signed an MOU between textile committee, India and M/s Nissenken Quality Evaluation Centre, Japan, for improving quality and testing Indian textiles and clothing for the Japanese market. This India-Japan pact on cooperation in textiles will facilitate Indian exporters to meet the requirements of Japanese importers as per the latter's technical regulations.
6. Initiatives announced in recent years such as National Technical Textiles Mission, Amended Technology Upgradation Fund Scheme (ATUFS) and Scheme for Reversion of duties and taxes on exported products, among others, will help in making textiles and apparel exports competitive.

(Source: IBEF, Nitiyog, Budget Speech 2021-22)

### Growth Drivers

**Vaccine rollout:** The Indian economy is expected to perform better on the back of sustained improvement in high frequency indicators and approval of emergency use of two vaccines to counter COVID-19. As a result, the resumption in economic activities and increased mobility are expected to lead towards a path of recovery for the textile sector as well in the aftermath of the pandemic.

**Increase in e-commerce:** The smartphone boom has globalised the Indian consumers. Purchasing for brands which were earlier limited to metros has now made its way to tier II and tier III cities, both via retail and e-commerce channels. Moreover, the pandemic has accelerated the shift towards a more digital world and instrumented changes in online shopping behaviours.

**Demographic factors:** India's population is among the youngest in an ageing world and is considered to spend a significant amount on lifestyle and clothing. By 2022, the

median age in India will be 28 years; in comparison to 37 in China and the United States, 45 in Western Europe, and 49 in Japan. The country is expected to add 273 million people by 2050.

(Source: *The Hindu, Economic Times*)

**Rising urbanisation:** It is estimated that India's urban population will increase from 377 million in 2011 to 594 million in 2036 – a whopping growth of 57%. Moreover, awareness about fashion brands, lifestyle choices and shift in the consumer behaviour is further expected to support higher textile demand.

(Source: *The Wire*)

## OPPORTUNITIES FOR ROTARY AND DIGITAL TEXTILE PRINTING

### Evolving fashion trends

Rising young Indian population, fast urbanisation, higher and increased purchasing power and changes in lifestyle patterns have led to an increase in the demand for fashion textile printing. An increase in the penetration of online retail and e-commerce in the fashion industry, additionally presents opportunities for homegrown textile printing players.

### Booming digital textile printing

The fast-changing fashion industry trends, preference for creative patterns and colours present a huge opportunity for the digital textile printing possibilities. Besides, advanced digital printing technologies, competitive price, cost effectiveness, lower wastage and optimal power consumption are the key factors behind growth of digital textile printing machine market in India.

### Encouraging Government policies

Rising Government focus and favourable policies are leading to growth in the textiles and clothing industry. The Ministry of Textiles is encouraging investment through schemes such as Technology Up-gradation Fund Scheme (TUFS), Amended Technology Upgradation Fund Scheme, Scheme for Capacity Building in Textile Sector (SCBTS). Through these incentives, the Government is supporting the 'Make in India' campaign, aiming to make the domestic industry more competitive.

### Growth in technical textile segment

India is expected to be a key growth market for the technical textile sector due to the cost-effectiveness, durability and versatility of its technical textiles. Under the PLI scheme, the Government has approved ₹ 10,683 crore for man-made fibre and technical textiles manufacturing. This will create more demand for technical textiles, underpinning the textile printing machine market as well.

## THREATS

### Prolonged slowdown in the economy

Despite the vaccination drive and expected spur in the economic activities, businesses will take time to get back to

the pre-Covid-19 levels. The textile industry might see a period of recovery characterised by a lull in spending and slack in demand across channels. This can impact the demand for the Company's capital products and consumable segments.

### Higher raw material prices

The levy of 10% customs duty on raw cotton imports, as announced in the Union Budget 2021-22, is likely to increase domestic cotton prices. This is anticipated to adversely impact the entire value chain.

### Foreign exchange risk

As the Company is engaged in imports and exports of its products across the globe, any adverse currency fluctuation can impact its profitability.

## GRAPHICS PRINTING

The growth of the digital printing market is driven by the advancement of the packaging and textile industries. It influences every part of today's packaging and print label industry.

Asia-Pacific region and contribution by countries like China, Japan and India is expected to increase the global packaging and labelling services market share substantially due to an increase in the e-commerce business, disposable income, and urbanisation. Amidst the decorative applications, there also exists an inherent need of some industrial applications which are fulfilled by the screen-printing technology. This brings in opportunities for our special screens apart from the existing Rotary screens, Digital printer & inks catering to the aesthetic printing solutions.

The industry is confronting a rising demand for aesthetic printing solutions. These solutions find wide usage in end-use industries which include food & beverage and pharmaceutical and premium packaging materials from cosmetics, alcoholic drinks and household products manufacturing industries. Moreover, increasing flexibility, low cost per device, and emerging technologies are also expected to help the industry expand further.

## COMPANY OVERVIEW

A subsidiary of the SPGPrints Group, headquartered at Boxmeer, Netherlands, Stovec Industries Limited has established itself as the market leader in rotary screen-printing technology. The Company offers comprehensive range of printing solutions to the textile industry. Besides India, Stovec also has a marquee clientele in other textile manufacturing countries including Europe, USA, Turkey, Brazil, Mexico, Korea, Taiwan, Colombia, Bangladesh, and China.

The Company's product offerings include Pegasus Evo, RD8 ID & RD6 GOLD Rotary screen-printing machine, bestLEN & SmartLEX Laser engraving machines, Javelin (multi pass) &

PIKE (high speed Single Pass) digital printing machines, Rotary screen consumables for textile printing, Digital inks, Anilox and Rota screen for graphics printing. In addition, the Company also offers lacquers and chemicals that lead to highest quality results in textile printing. Stovec also provides products for conventional and digital engraving in the printing domain.

With world-class manufacturing and R&D facilities, located in Ahmedabad, Stovec continuously strives to bring cutting-edge innovation and quality into its products. The Company's wide and solid distribution network further helps it address its

customers' growing needs through its customised products and services. The Company's performance is directly dependent and influenced by the textile industry's developments.

## FINANCIAL REVIEW

The Company's revenue drop-off to ₹ 1501.17 Mn in FY 2020 as against ₹ 1,942.47 Mn in FY 2019, under challenging business circumstances due to Covid-19. The Profit before tax also decreased from ₹ 372.16 Mn in FY 2019 to ₹ 171.62Mn in FY 2020.

### Details of significant changes in key financial ratios:

There has been significant changes (25% +/-) in the key financial ratios as compared to preceding financial year as under -

Ratios	FY 2020	FY 2019	Variance (%)	Remarks
Debtors turnover (in days)	75	60	-25%	Slower recovery due to covid-19 pandemic during 2020.
Inventory turnover (in days)	86	59	-46%	Year end inventory higher to serve next year business.
EBIDTA margin	11.98%	19.28%	-38%	Due to covid-19 pandemic.
Net Profit margin	8.97%	14.38%	-38%	Due to covid-19 pandemic.
Return on net worth	9.97%	20.25%	-51%	Profitability affected due to covid-19.

### SEGMENT-WISE PERFORMANCE:

The Company's segment-wise sales performance was recorded as under-

(₹ in Million)		
Particulars	FY 2020	FY 2019
Textile Consumables & Textile Machinery	1159.84	1,554.88
Graphic Products	70.76	95.24
Galvanic	270.56	292.35

### RISKS AND CONCERNS

The Company has a structured approach for handling risks. It has a risk management framework in place, defined roles and responsibilities at different levels. Risk management team reviews the overall risks and identifies the critical risks such as price risk, forex risk, and environment risk, among others. All inherent risks are measured, monitored and regularly reported to the management. The Company has adequate mitigation plans for the risks based on the probability of their occurrence, potential impact and volatility. The emerging risks are discussed periodically with the management to ensure implementation of proper control mechanism.

### INTERNAL CONTROL SYSTEM

Internal controls form an integral part of the Company's general organisational structure. It includes a range of personnel who act in a coordinated manner while executing their respective responsibilities. These internal controls ensure strict adherence to the applicable laws and regulations, safeguarding of assets, prevention of frauds/errors and proper recording and reporting of financial transactions. The efficacy of the internal control systems is verified by the internal and statutory auditors of the Company. The Audit Committee of the Board reviews the internal audit plan and ensures the

adequacy and effectiveness of the internal control system. It also reviews the functioning of the whistleblower mechanism and monitors the action taken on the cases reported.

### HUMAN RESOURCE AND INDUSTRIAL RELATIONS

The Company recognises that human capital is its cardinal asset. Prudent HR practices have helped nurture the skills and growth of its employees. The Company extensively invests in training programmes and learning modules. It reinforces engagement with employees across levels by providing an enriched workplace and transparent communication. With new ways of working during the pandemic, the Company is now geared to create a digitally-enabled workplace to the extent possible, with seamless virtual collaboration.

The Company consciously works and maintains harmonious industrial relations at its offices and plants. It believes and nurtures a culture of complete transparency through open communication channels with easy access. The Company further refines its policies in alignment with its organisational interest, benefitting everyone at the same time. As on December FY 2020, the Company had a total team of 248 employees adding value to the organisation.

### CAUTIONARY STATEMENT

The statement forming a part of this Report may contain certain forward-looking remarks with the meaning of applicable Securities Law and Regulations. Many factors could cause the actual results, performances, or achievements of the Company to be materially different from any future results, performances, or achievements. Significant factors that could make a difference to the Company's operations include domestic and international economic conditions, changes in government regulations, tax regime and other statutes.



## REPORT ON CSR ACTIVITIES

The CSR activities has been initiated in the area of textile and allied industries offering skill development program by arranging training programs for the workers for uplifting their life and to enhance their livelihood. The training is intended to be preferably carried out in and around Ahmedabad region which consists of both theory and practice classes. On completion of training, an independent evaluation of trainees is carried out besides feedback of the participants. Practical training class has been arranged at the various units located in same or nearby locality.

Trainees could be entry level operators without any experience or training or they even could be operators working in the industry having some practical experience. The selected

trainees are from the low-income level with an objective to provide them an opportunity to move up the cadre thereby increasing their income augmentation possibility besides his career options open to move to other units which makes them self-reliant and capable.

Because of COVID-19 pandemic induced lockdowns, restrictions & the necessity of maintaining social distancing etc; the Company was unable to undertake such training program during the major part of reporting year.

Besides that, Company being responsible citizen has given its partial contribution to PM CARES fund to help the nation in fighting with Covid-19 pandemic.

## CORPORATE SOCIAL RESPONSIBILITY REPORT

### 1. A brief outline of the Company's CSR Policy, including overview of projects or programs proposed to be undertaken and a reference to the web-link to the CSR Policy and projects or programs.

In alignment with vision of the Company, the Company through its CSR initiatives, will continue to enhance value creation in the society and in the community in which it operates, through its services, conduct & initiatives, so as to promote sustained growth for the society and community, in fulfillment of its role as Socially Responsible Corporate, with environmental concern. CSR Policy is available on the Company's website at [https://www.spgprints.com/uploads/documents/Stovec/Stovec-policies/CSR\\_Policy.pdf](https://www.spgprints.com/uploads/documents/Stovec/Stovec-policies/CSR_Policy.pdf)

#### Objective of CSR Policy:

- Ensure an increased commitment at all levels in the organisation, to operate its business in an economically, socially & environmentally sustainable manner, while recognizing the interests of all its stakeholders.
- Demonstrate commitment to the common good through responsible business practices and good governance.
- To directly or indirectly take up the programs that benefits the Society at large and communities in and around its work center over a period of time, in enhancing the quality of life & economic well-being of the local populace.
- Support Governments' development agenda to ensure sustainable change.

### Projects or Programs proposed to be undertaken:

In accordance with this CSR Policy and the specified activities under the Companies Act, 2013 read with Companies (Corporate Social Responsibility Policy) Rules, 2014 and any amendment(s) thereof, the CSR activities of the Company will have the following thrust areas:

- Skill Development for sustainable income generation & Livelihood for marginalised population
- Literacy / Education;
- Basic Infrastructure facilities like Safe Drinking Water, Health care & Sanitation;
- Protection and safeguard of environment and maintenance of ecological balance;
- To respond to emergency situations/ disasters/ Other national cause by providing Contribution to State Funds for such cause;
- Socio- economic development, relief and welfare of Children, Women and those who are Physically and Mentally challenged;
- Any other CSR activities as specified in Schedule VII of Companies Act, 2013 by MCA from time to time.

### 2. Composition of the CSR Committee:

Sr. No.	Name of Member	Position held in CSR Committee
1	Mr. Shailesh Wani	Chairman
2	Mr. Khurshed M. Thanawalla	Member
3	Mr. Eiko Ris	Member

### 3. Average net profit of the Company for last three financial years: ₹ 438.45 million

**4. Prescribed CSR Expenditure (two per cent of the amount as in item 3 above): ₹ 8.77 million**
**5. Details of CSR spent during the financial year**

- Total amount to be spent for the financial year: ₹ 8.77 million
- Amount unspent, if any: Nil
- Manner in which the amount spent during the financial year is detailed below.

(₹ in Million)

Sr. No.	CSR Project or activity identified	Sector in which the Project is covered	Projects or programs 1) Local area or other 2) Specify the state and district where projects or programs was undertaken	Amount outlay (budget) project or programs wise	Amount spent on the projects or programs Sub-heads: 1) Direct expenditure on projects or programs. 2) overheads.	Cumulative expenditure upto the reporting period	Amount spent: Direct or through implementing agency.
1	Contribution to Prime Minister's National Relief Fund	-	Contribution to Prime Minister's National Relief Fund	7.06	7.06	7.06	Direct
2	PM Cares	-	PM Cares	1.10	1.10	1.10	Direct
3	Skill Development Programs	Education and livelihood	Ahmedabad	0.61	0.61	0.61	Ahmedabad Textile Industrial Research Association (ATIRA)
	<b>Total</b>			<b>8.77</b>	<b>8.77</b>	<b>8.77</b>	

**6. In case of company has failed to spend the two per cent of the average net profit of the last three financial years or any part thereof, the company shall provide the reasons for not spending the amount in its Board report. – Not applicable**
**7. A responsibility statement of the CSR Committee that the implementation and monitoring of CSR Policy is in compliance with CSR objectives and Policy of the Company.**

The CSR Committee ensures that the implementation and monitoring of CSR Policy is in compliance with the CSR objectives and Policy of the Company.

**For and on behalf of the Board of Directors**  
**For, Stovec Industries Limited**

**For and on behalf of CSR Committee**  
**For, Stovec Industries Limited**

**Shailesh Wani**

Managing Director  
(DIN: 06474766)

**Shailesh Wani**

Chairman – Corporate Social Responsibility Committee  
(DIN: 06474766)

Date: February 26, 2021

Place: Ahmedabad

# BUSINESS RESPONSIBILITY REPORT

(Pursuant to Regulation 34 (2) (f) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ('Listing Regulations'))

## SECTION A

### GENERAL INFORMATION ABOUT THE COMPANY:

Sr. No.	Particulars	Details
1.	Corporate Identity Number (CIN) of the Company	L45200GJ1973PLC050790
2.	Name of the Company	Stovec Industries Limited
3.	Registered address	NIDC, Near Lambha Village, Post Narol, Ahmedabad-382 405 (Gujarat, India)
4.	Website	<a href="http://www.stovec.com">www.stovec.com</a>
5.	Email ID	<a href="mailto:secretarial@stovec.com">secretarial@stovec.com</a>
6.	Financial year reported	January 1, 2020 to December 31, 2020
7.	Sector(s) that the Company is engaged in (industrial activity code-wise)	Textile - Manufacturer of Rotary Printing Machines, Perforated Nickle Screens, and other textile consumables and spare parts
8.	Three key products/services of the Company (as in balance sheet)	(i) Perforated Rotary Screens, Lacquer & Auxiliary Chemicals, Rotary Printing Machines, Engraving Equipment, Components and Spares, Digital Ink (ii) Anilox Rollers, Rota mesh screens and Rota Plate (iii) Galvano consumables
9.	Total number of locations where business activity is undertaken by the Company	
	(a) Number of international locations	Zero (0)
	(b) Number of national locations	One (1) Plant/Factory located at its registered office at Ahmedabad
10.	Markets served by the Company - local/state/national/international	Company serves to domestic as well as international markets

## SECTION B

### FINANCIAL DETAILS OF THE COMPANY:

(₹ in Million)

Sr. No.	Particulars	Details
1.	Paid up capital as on December 31, 2020	₹ 20.88
2.	Total turnover for FY 2020	₹ 1357.91
3.	Total profit after taxes for FY 2020	₹ 134.63
4.	Total spending on Corporate Social Responsibility (CSR) as a percentage of Profit after Tax (%) for FY 2020	₹ 8.77 (6.51%)
5.	List of activities in which expenditure in 4 above has been incurred	Refer Annexure IV to Board's Report for CSR Activities

## SECTION C

### OTHER DETAILS:

Sr. No.	Particulars	Details
1.	Does the Company have any subsidiary company/companies?	No
2.	Do the subsidiary company/companies participate in the BR initiatives of the parent Company? If yes, then indicate the number of such subsidiary company(ies)	NA
3.	Do any other entity/entities (e.g. suppliers, distributors among others) that the Company does business with, participate in the BR initiatives of the Company? If yes, then indicate the percentage of such entity/entities? [Less than 30%, 30-60%, more than 60%]	No other entity/entities participate in the BR initiatives of the Company

## SECTION D

### BUSINESS RESPONSIBILITY ('BR') INFORMATION:

#### 1. Details of Director(s) responsible for BR:

(a) Details of the Director responsible for implementation of the BR policy(ies)

Sr. No.	Particulars	Details
1.	DIN	06474766
2.	Name of Director	Mr. Shailesh Wani
3.	Designation	Managing Director

(b) Details of the BR head

Sr. No.	Particulars	Details
1.	DIN	06474766
2.	Name of Director	Mr. Shailesh Wani
3.	Designation	Managing Director
4.	Telephone Number	+91 79 6157 2300
5.	Email ID	Shailesh_wani@stovec.com

#### 2. Principle-wise (as per National Voluntary Guidelines) BR Policy(ies)

The National Voluntary Guidelines on Social, Environment and Economic Responsibilities of Business (NVGs), released by the Ministry of Corporate Affairs, is composed of nine principles of Business Responsibility. They are:

- P1.** Businesses should conduct and govern themselves with ethics, transparency and accountability
- P2.** Businesses should provide goods and services that are safe and contribute to sustainability throughout their lifecycle
- P3.** Businesses should promote the well-being of all employees
- P4.** Businesses should respect the interests of, and be responsive towards all stakeholders, especially those who are disadvantaged, vulnerable and marginalised
- P5.** Businesses should respect and promote human rights
- P6.** Businesses should respect, protect, and make efforts to restore the environment
- P7.** Businesses, when engaged in influencing public and regulatory policy, should do so in a responsible manner
- P8.** Businesses should support inclusive growth and equitable development
- P9.** Businesses should engage with and provide value to their customers and consumers in a responsible manner

##### (a) Details of Compliance (Reply in Y/N)

Sr. No.	Questions	P1	P2	P3	P4	P5	P6	P7	P8	P9
1.	Do you have a policy(ies) for ...@	Y	Y	Y	N	Y	Y	N	Y	Y
		This forms part of the Code of Business Conduct & Ethics of the Company	The policy is part of the Code of Business Conduct & Ethics and EHS Policy	Code of Business Conduct & Ethics & Internal HR Policies for Employees	The Company does not have a specific policy, however, certain aspect of this principle forms part of the CSR Policy	This forms part of the Code of Business Conduct & Ethics	This forms part of the Code of Business Conduct & Ethics and EHS Policy	-	The Company has a CSR Policy	This forms part of the Code of Business Conduct & Ethics
2.	Has the policy been formulated in consultation with the relevant stakeholders?	N	N	N	-	N	N	-	N	N
3.	Does the policy conform to any national/ international standards? If yes, specify? (50 words)	Y	Y	Y	-	Y	Y	-	Y	Y
		The Company's policies are in conformity with national/international standards, wherever applicable and in compliance with the applicable regulatory requirements								



## (a) Details of Compliance (Reply in Y/N) (Contd...)

Sr. No.	Questions	P1	P2	P3	P4	P5	P6	P7	P8	P9
4.	Has the policy been approved by the Board? If yes, has it been signed by MD/owner/CEO/appropriate Board Director?	Y	Y	Y	-	Y	Y	-	Y	Y
	As a process, all policies have been considered and noted by the Board/Committee/s of the Board. The Board authorised the senior officials of the Company to authenticate the policies									
5.	Does the Company have a specified committee of the Board/Director/Official to oversee the implementation of the policy?	Y	Y	Y	-	Y	Y	-	Y	Y
6.	Indicate the link for the policy to be viewed online	All policies, which are statutorily required, are placed on the Company's website at <a href="http://www.stovec.com">www.stovec.com</a>								
7.	Has the policy been formally communicated to all relevant internal and external stakeholders?	Y	Y	Y	-	Y	Y	-	Y	Y
	The policy (ies) is/are communicated to the relevant stakeholders, wherever applicable and required									
8.	Does the Company have in-house structure to implement the policy/policies	Y	Y	Y	-	Y	Y	-	Y	Y
9.	Does the Company have a grievance-redressal mechanism related to the policy/policies to address stakeholders' grievances related to the policy(ies)	Y	Y	Y	-	Y	Y	-	Y	Y
10.	Has the Company carried out independent audit/evaluation of the working of these policies by an internal or external agency?	N	N	N	-	N	N	-	N	N
	The heads of departments are responsible for effective implementation of the policies/process. No independent audit of the policies has been carried out but the Internal Audit Function periodically looks at the implementation thereof									

**Notes:** @ The Company has its Code of Business Conduct & Ethics broadly covering the above principles. Besides, the Company also has insider trading policy and code of fair disclosure, policy on related party transactions and material subsidiary, whistleblower and vigil mechanism, familiarisation programme, CSR policy, policy on prevention of documents and archival policy, policy for determining material information, policy on prevention of sexual harassment of women at workplace which support to above principals.

## (b) If answer to the question in serial number 1 against any principle, is 'No', please explain why: (Tick up to two options)

Sr. No.	Questions	P1	P2	P3	P4	P5	P6	P7	P8	P9
1.	The Company has not understood the principles									
2.	The Company is not at a stage where it finds itself in a position to formulate and implement the policies on specified principles				√			√		
3.	The Company does not have financial or manpower resources available for the task									
4.	It is planned to be done within next six months									
5.	It is planned to be done within next one year									
6.	Any other reason (please specify)									
	Considering the business activities of the Company and the nature of its business, the management/Board has not felt the need to formulate certain policies. However, the Board reviews the requirements from time to time and will formulate relevant policies as and when the need arises									

### 3. Governance related to BR

Sr. No.	Particulars	Details
a.	Indicate the frequency with which the Board of Directors, committee of the Board or CEO to assess the BR performance of the Company (within three months, three-six months, annually, more than one year)	The Board of Directors of the Company through its Managing Director or internal committee assesses the BR performance of the Company periodically.
b.	Does the Company publish a BR or a sustainability report? What is the hyperlink for viewing this report? How frequently is it published?	The Company publishes the information on BR on its annual report. The annual report is uploaded on the website of the Company at <a href="http://www.stovec.com">www.stovec.com</a>

## SECTION E

### PRINCIPLE-WISE PERFORMANCE:

#### Principle 1: Businesses should conduct and govern themselves with ethics, transparency and accountability

##### 1. Does the policy relating to ethics, bribery and corruption cover only the Company? Does it extend to the group/joint ventures/suppliers/contractors/NGOs/others?

The Company has defined the Code of Business Conduct & Ethics for its Directors and employees that cover issues related to ethics, workplace responsibilities and conflict of interest etc. It also covers suppliers, vendors and other entities/ firms with whom the Company does business. Further, the Company has adopted a Whistle-Blower Policy to provide a mechanism for employees and Directors of the Company to approach the ombudsperson or chairman of the audit committee of the Company, as the case may be, for reporting unethical behaviour, actual or suspected, fraud or violation of the Company's code of conduct.

In compliance with the SEBI (Prohibition of Insider Trading) (Amendment) Regulations, 2018, the Company has amended its whistle-blower policy to enable employees to report instances of leak of unpublished price-sensitive information. The Company has also in place anti-sexual harassment policy to maintain a work environment free from any form of conduct which can be considered as harassing, coercive or disruptive.

##### 2. How many stakeholder complaints have been received in the past financial year and what percentage was satisfactorily resolved by the management? If so, provide details thereof, in about 50 words or so.

The Company has different mechanisms for receiving and dealing with complaints from different stakeholders' viz. investors, customers, employees, vendors, etc. There are dedicated resources to address the complaints within a time-bound manner. The investors' complaints are reported on quarterly basis to the stock exchange concerned. Also, there was no complaint reported by any Director or employee of the Company under our vigil/ whistle-blower mechanism and none was reported under anti-sexual harassment policy.

Complaints from external stakeholders such as suppliers and contractors are raised directly to business teams and are addressed by them on a case-by-case basis.

#### Principle 2: Businesses should provide goods and services that are safe and contribute to sustainability throughout their lifecycle

##### 1. List up to three of your products or services whose design has incorporated social or environmental concerns, risks and/or opportunities:

As an environmentally conscious Company, it continues to innovate and use efficient technologies to bring down our strain on ecology. The Company has undertaken the following initiatives to this objective:

- Use of state-of-the-art Effluent Treatment Plant (ETP) to reduce treated water discharge
- Ensure energy-efficient operations
- Use of alternate packaging material to minimise wood consumption

##### 2. For each such product and services, provide the following details in respect to resource use (energy, water, raw material, among others) per unit of product (optional):

- Reduction during sourcing/production/distribution achieved since the previous year throughout the value chain?
- Reduction during usage by consumers (energy, water) has been achieved since the previous year?

Details of conservation of energy are given in Annexure-I of the Directors' Report.

##### 3. Does the Company have procedures in place for sustainable sourcing, including transportation?

- If yes, what percentage of your inputs was sourced sustainably? Also, provide details thereof, in about 50 words or so.

Yes, the Company has procedures in place for sustainable sourcing, including transportation.

As a responsible corporate citizen, the Company endeavours to reduce the environmental impact on its operations. The Company has made conscious efforts

to reduce the usage of paper through various digital initiatives, including paperless board meeting, generating of digital PO, use of recyclable packing materials. Our supplier analysis also takes into account the sourcing strategy of the supplier and proximity of the supplier to the location where the order request has been raised to improve logistics and save time, cost and emissions from unwanted transportation through longer routes. The manufacturing processes are selected and improved year on year to consume lesser energy and resources.

**4. Has the Company taken any steps to procure goods and services from local and small producers, including communities surrounding their place of work? If yes, what steps have been taken to improve their capacity and capability of local and small vendors?**

Most of the raw materials are procured from areas near the factories and the Company works with vendors extensively to improve capacities and capabilities. The Company encourages local vendors to supply its regular needs. It is therefore if all other factors are on a par among the potential suppliers, then the Company gives preference to the local supplier or small producer and thus procure goods locally. For consumable and operational services, the Company prefers to connect with local vendors/suppliers to supply the necessary manpower and other requirements. Thus, the preference is given to micro, small and medium enterprises (MSME) for business opportunity and uplift of lower middle class.

The human resources and other services required for our operations are generally sourced from within the local area to the extent feasible. The products and services offered by the Company are aimed at encouraging entrepreneurship, innovation, and capacity building among the society as well as to enable them to scale up their business operations.

**5. Does the Company have a mechanism to recycle products and waste? If yes, what is the percentage of recycling of products and waste (separately as <5%, 5-10%, >10%). Also, provide details thereof, in about 50 words or so.**

Yes, the Company has a mechanism to recycle waste. Our operational practices are focused to continually reduce consumption of papers and progressive measures are being implemented across different processes to facilitate the same. All the waste generated in the operations is being disposed through authorised recycler. The Company re-uses the wooden packaging material for certain product lines to minimise wood usages.

Our initiatives also strive to meet sustainability goals of waste reduction and more efficient resource utilisation.

**Principle 3: Businesses should promote the wellbeing of all employees:**

- 1) Total number of employees: 248 (staff:107 + Workmen: 141)
- 2) Total number of employees hired on temporary/contractual/casual basis: 38
- 3) Number of permanent women employees: 04
- 4) Number of permanent employees with disabilities: 01
- 5) Do you have an employee association that is recognised by the management: Yes
- 6) What percentage of your permanent employees is members of this recognised employee association? -100% of workmen strength
- 7) Number of complaints relating to child labour, forced labour, involuntary labour, sexual harassment in the last financial year and pending, as on the end of the financial year:

Sr. No.	Category	No. of complaints filed during the financial year	No. of complaints pending as at the end of financial year
1.	Child labour/forced labour/involuntary labour	Nil	Nil
2.	Sexual harassment	Nil	Nil
3.	Discriminatory employment	Nil	Nil

- 8) What percentage of your under-mentioned employees were given safety and skill upgradation training in the last year?
  - a. Permanent employees: 78.22%
  - b. Permanent women employees: 100%
  - c. Casual/temporary/contractual employees: 75%
  - d. Employees with disabilities: 100%

**Principle 4: Businesses should respect the interests of, and be responsive towards all stakeholders, especially those who are disadvantaged, vulnerable and marginalised:**

**1. Has the Company mapped its internal and external stakeholders?**

Yes. The Company has mapped its internal and external stakeholders. The Company constantly strives to keep the communication open and transparent with all its stakeholders to maximise stakeholders' satisfaction and value creation.

**2. Out of the above, has the Company identified the disadvantaged, vulnerable and marginalised stakeholders?**

The Company is committed towards proactively engaging with the employees, business associates, customers and

communities who may be disadvantaged, vulnerable and marginalised.

**3. Are there any special initiatives taken by the Company to engage with the disadvantaged, vulnerable and marginalised stakeholders? If so, provide details thereof, in about 50 words or so.**

We being a responsible corporate, believe in inclusive growth and equitable development for socio-economic betterment of the community. The Company is susceptible to extend support to the disadvantaged and marginalised stakeholders, through CSR programmes and active employee volunteering. The Company makes efforts to promote extending support to weaker section/ community, including engagement of differently abled persons, in the employment.

**Principle 5: Businesses should respect and promote human rights:**

**1. Does the policy of the Company on human rights cover only the Company or extend to the group/joint ventures/ suppliers/contractors/NGOs/others?**

The Company is committed to upholding the dignity of every individual engaged or associated with the Company. As a socially responsible organisation, the Company is committed to protect and safeguard human rights.

The fair practices code as well as code of conduct lay down the acceptable employee behaviour on various aspects, including human rights. All employees, with direct interface to customers, are trained to be polite and courteous to customers under all circumstances. This focus on human rights extends towards all its interactions with stakeholders with utmost importance placed on fairness and transparency.

**2. How many stakeholder complaints have been received in the past financial year and what percent was satisfactorily resolved by the management?**

No complaints on human rights were received during the year.

**Principle 6: Businesses should respect, protect, and make efforts to restore the environment:**

**1. Does the policy related to Principle 6 cover only the Company or extends to the group/joint ventures/ suppliers/contractors/NGOs/others?**

The policy covers only to the Company. The Company adheres to all statutory compliances with respect to environment, health and safety requirements.

**2. Does the Company have strategies/initiatives to address global environment issues such as climate change, global warming, among others? Yes/No. If yes, please give hyperlink for webpage etc.**

The Company doesn't have any specific programme or initiatives to address such issues. However, the Company

is continuously implementing process improvements to reduce emissions and wastes and explores various opportunities to address such issues from time to time such as use of solar rooftop.

Our efficient operational and environment-management practices and digital-business initiatives help us to reduce our environment footprint and help us achieve environmentally sustainable business practices.

**3. Does the Company identify and assess potential environmental risks?**

The Company is aware of the potential environment risks; thus, the Company follows sound environment management practices at its manufacturing unit to assess and address potential environment risks.

We understand that environment risks may affect business operations and pose potential threat. The Company has its own ways to identify and assess the potential environment risks at the design stage itself.

We have also integrated environment and social safeguards into the business process. The Company continuously seeks to improve its environment performance by promoting use of energy efficient environment-friendly technologies and use of renewable energy.

**4. Does the Company have any project related to clean development mechanism? If so, provide details thereof, in about 50 words or so. Also, if yes, whether any environment compliance report is filed?**

Yes, the Company ensures project related to the clean development mechanism and environment compliance report is filed with the state environment authority i.e. GPCB.

**5. Has the Company undertaken any other initiatives on clean technology, energy efficiency, renewable energy, among others? Yes/No. If yes, please give hyperlink for webpage etc.**

Technology is used to reduce impact on environment in the entire chain of manufacturing, the emphasis is on preserving natural resources such as Company uses in its operations' battery-operated forklift and stackers for material handling.

**6. Are the emissions/waste generated by the Company within the permissible limits given by CPCB/SPCB for the financial year being reported?**

Yes, the emissions and waste generated were within permissible limits stated by GPCB.

**7. Number of show cause/legal notices received from CPCB/SPCB which are pending (i.e. not resolved to satisfaction) as on end of financial year.**

No notices were received by the Company during the year ended on December 31, 2020.



**Principle 7: Businesses, when engaged in influencing public and regulatory policy, should do so in a responsible manner**

- 1. Is your Company a member of any trade and chamber or association? If Yes, name only those major ones that your business deals with:**

The Company is a member of Textile Machinery Manufacturers' Association (TMMA).

- 2. Have you advocated/lobbied through above associations for the advancement or improvement of public good? Yes/No; if yes, specify the broad areas (governance and administration, economic reforms, inclusive development policies, energy security, water, food security, sustainable business principles, others)**

No.

**Principle 8: Businesses should support inclusive growth and equitable development:**

- 1. Does the Company have specified programmes/initiatives/projects in pursuit of the policy related to Principle 8? If yes, details thereof.**

The Company has a well-defined CSR policy in line with the Companies Act, 2013, for undertaking various CSR initiatives for the support and development of society. The report on the CSR projects carried by the Company during the year is annexed with the Board's report.

- 2. Are the programmes/projects undertaken through in-house team/own foundation/external NGO/government structures/any other organisation?**

The Company contributes its CSR contribution to the government and NGO. Please refer annual CSR report of the Company annexed to the director's report of this annual report.

- 3. Have you done any impact assessment of your initiative?**

No.

- 4. What is your Company's direct contribution to community development projects: Amount in ₹ and the details of the projects undertaken?**

The Company has made no direct contribution to the community except the CSR contribution as mentioned above.

- 5. Have you taken steps to ensure that this community-development initiative is successfully adopted by the community? Please explain in 50 words, or so.**

Not applicable.

**Principle 9: Businesses should engage with and provide value to their customers and consumers in a responsible manner:**

- 1. What percentage of customer complaints/consumer cases are pending as on the end of financial year?**

There are no consumer cases outstanding as at the end of the financial year. However, the customer complaints with respect to the Company's goods have been taken care of by a separate team and resolved within the committed timelines.

- 2. Does the Company display product and service information on the product label, over and above what is mandated as per local laws?**

No.

- 3. Is there any case filed by any stakeholder against the Company regarding unfair trade practices, irresponsible advertising and/or anti-competitive behaviour during the last five years and pending as on end of financial year? If so, provide details thereof, in about 50 words or so**

No.

- 4. Did your Company carry out any consumer survey/consumer-satisfaction trends?**

The customer feedback/comments are being taken during customer visit and appropriate actions are taken as applicable.

## Annexure-VI

## STATEMENT OF DISCLOSURE OF REMUNERATION

(Pursuant to Section 197 of the Act and Rule 5 (1) of The Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014)

- (i) Ratio of the remuneration of each Executive Director to the median remuneration of the employees of the Company for the financial year 2020, the percentage increase in remuneration of Managing Director, Chief Financial Officer and Company Secretary during the financial year 2020.

Sr. No.	Name of Director / Key Managerial Personnel	Designation	*Ratio of Remuneration of each Director to median remuneration of employees	Percentage increase in Remuneration
1	Mr. Shailesh Wani	Managing Director	38.14:1	5%
2	Mr. Paras Mehta	Chief Financial Officer	Not Applicable	5%
3	Mr. Sanjeev Singh Sengar	Company Secretary	Not Applicable	5%

\*remuneration includes variable pay on provisional basis.

- (ii) The percentage increase in the median remuneration of employees for the financial year 2020 was 12.9%.
- (iii) The Company had 223 permanent employees on the rolls of the Company as on December 31, 2020.
- (iv) Average percentage increase made in the salaries of employees other than the managerial personnel in the last financial year was 11.81 % whereas the increase in the managerial remuneration was 5%. The average increases every year is an outcome of the Company's market competitiveness and business performance. Keeping in mind our Nomination and Remuneration policy and benchmarking results, the increases this year reflect the market practice.
- (v) It is hereby affirmed that the remuneration paid during the year 2020 is as per the Nomination and Remuneration Policy of the Company.

For and on behalf of Board of Directors

**K. M. Thanawalla**  
Chairman  
DIN: 00201749

Date: February 26, 2021  
Place: Mumbai

# SECRETARIAL AUDIT REPORT

FOR THE FINANCIAL YEAR ENDED ON DECEMBER 31, 2020

FORM NO. MR 3

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

To,

The Members,

**Stovec Industries Limited**

CIN: L45200GJ1973PLC050790

N.I.D.C, Near Lambha Village,

Post: Narol, Ahmedabad – 382 405, Gujarat, India.

We have conducted the secretarial audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by M/s. Stovec Industries Limited (hereinafter called "the Company"). 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 the Company's books, papers, minutes books, forms and returns filed and other records maintained by the Company and also the information provided by the Company, its officers, agents and authorised representatives during the conduct of secretarial audit, we hereby report that in our opinion, the Company has, during the audit period covering the financial year ended on December 31, 2020 (hereinafter referred to as "Audit Period") complied with the statutory provisions listed hereunder and also that the Company has proper Board processes and compliance mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

We have examined the books, papers, minute books, forms and returns filed and other records maintained by the Company for the financial year ended on December 31, 2020 according to the provisions of:

- (i.) The Companies Act, 2013 (the Act) and the rules made thereunder;
- (ii.) The Securities Contract (Regulation) Act, 1956 ('SCRA') and the rules made thereunder;
- (iii.) The Depositories Act, 1996 and the Regulations and Bye-laws framed thereunder;
- (iv.) Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings; (Not applicable to the Company during Audit Period)
- (v.) 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, 2015 as amended from time to time;
- c. The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client;

During period under report, no specific law is applicable to the Company.

We have also examined compliance with the applicable clauses/regulations of the following, to the extent applicable to the Company during the audit period:

- (i.) Secretarial Standards issued by The Institute of Company Secretaries of India.
- (ii.) The Listing Agreements entered into by the Company with Stock Exchange i.e. BSE Limited.
- (iii.) SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015 as amended from time to time.

We report that, during the year under review, the Company has complied with the provisions of the Acts, rules, regulations and guidelines mentioned above except as specified in Annual Secretarial Compliance Report of the Company.

We further report that, there were no actions/ events in pursuance of:

- a) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018;
- b) The Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014;
- c) The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008;
- d) The Securities and Exchange Board of India (Issue and Listing of Non-Convertible and Redeemable Preference Shares) Regulations, 2013;
- e) The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009; and
- f) The Securities and Exchange Board of India (Buyback of Securities) Regulations, 2018;

requiring compliance thereof by the Company during the financial year.

We further report, that the compliance by the Company of applicable financial laws, like direct and indirect tax laws, has not been reviewed in this Audit since the same have been subject to review by auditor/other designated professionals.

During the period under review the Company has complied with the provisions of the Act, Rules, Regulations, Guidelines, Standards, etc. mentioned above.

**We further report that**

The Board of Directors of the Company is duly constituted with proper balance of Executive Directors, Non-Executive Directors and Independent Directors. The changes in the composition of the Board of Directors that took place during the period under review were carried out in compliance with the provisions of the Act.

Adequate notice is given to all directors to schedule the Board Meetings, agenda and detailed notes on agenda were sent at least seven days in advance, and a system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting.

All decisions at Board Meetings and Committee Meetings are carried out unanimously as recorded in the minutes of the meetings of the Board of Directors or Committee of the Board, as the case may be.

**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.

**We further report that** during the audit period, there were no other specific events/actions having a major bearing on the Company's affairs in pursuance of the above referred laws, rules, regulations, guidelines, standards, etc., except as mentioned hereunder;

- Approval of appointment of M/s. S R BC & CO LLP, Chartered Accountants, (FRN 324982E/E300003) as Statutory Auditors of the Company in casual vacancy resulted by the resignation of M/s Deloitte Haskins & Sells LLP, former auditor, by way of Postal Ballot.

**Sandip Sheth & Associates**  
**Firm Unique Code: P2001GJ041000**  
Practicing Company Secretaries

**Sandip Sheth**

Partner

FCS : 5467

Place: Ahmedabad

CP No : 4354

Date: February 26, 2021

UDIN : F005467B003580601

*This report is to be read with our letter of even date which is annexed as "Annexure A" and forms an integral part of this report.*

**"Annexure – A"**

To,

The Members,

**Stovec Industries Limited**

CIN: L45200GJ1973PLC050790

N.I.D.C, Near Lambha Village,

Post: Narol, Ahmedabad– 382 405, Gujarat, India

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 processes as were appropriate to obtain reasonable assurance about the correctness of the contents of the Secretarial records. The verification was done on test basis to ensure that correct facts are reflected in secretarial records. We believe that the processes and practices, we followed provide a reasonable basis for our opinion.
3. We have not verified the correctness and appropriateness of financial records and Books of Accounts of the Company.
4. Where ever required, we have obtained the representations from the Management and respective departmental heads about the Compliance of laws, rules and regulations and happening of events etc. during the audit period.
5. 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 procedures on test basis, for the purpose of issuing Secretarial Audit Report.
6. The Secretarial Audit 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.
7. We conducted our audit in the manner specified under section 204 of the Companies Act, 2013 and Rules made there under, which seeks an opinion and reasonable assurance about the compliance status of various applicable acts and rules to the Company.

**Sandip Sheth & Associates**  
**Firm Unique Code: P2001GJ041000**  
Practicing Company Secretaries

**Sandip Sheth**

Partner

FCS : 5467

Place: Ahmedabad

CP No : 4354

Date: February 26, 2021

UDIN : F005467B003580601



# INDEPENDENT AUDITOR'S REPORT

To the Members of **Stovec Industries Limited**

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

### Opinion

We have audited the accompanying financial statements of Stovec Industries Limited ("the Company"), which comprise the Balance Sheet as at December 31, 2020, the Statement of Profit and Loss, including the statement of Other Comprehensive Income, the Cash Flow Statement and the Statement of Changes in Equity for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information (herein referred to as 'financial statements').

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Companies Act, 2013 as amended ("the Act"), in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at December 31, 2020, its profit including other comprehensive income, its cash flows and the changes in equity for the year ended on that date.

### Basis for Opinion

We conducted our audit of the financial statements in accordance with the Standards on Auditing (SAs), as 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 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 audit opinion on the financial statements.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the financial year ended December 31, 2020. 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. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have determined the matters described below to be the key audit matters to be communicated in our report. We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Key audit matters	How our audit addressed the key audit matter
Recognition of revenue from contracts with customers for sale of textile machinery (refer note 3.06 and 18 of the financial statements)	
Revenue from sale of textile machinery of ₹ 1,159.84 million is recognized in accordance with Ind AS 115, Revenue from Contracts with Customers, based on transfer of controls, i.e. the dispatch/delivery of machines on completion of manufacturing (at a point in time). A certain portion of revenue is also deferred and recognised when the installation is completed to the satisfaction of the customers.	Our audit procedures included but were not limited to:
We consider revenue recognition from such contracts to be a Key Audit Matter because management's assessments and terms of contracts significantly impact the determination of the performance obligations related to the individual contracts, which critically affects the revenue recognised for the year. These assessments include, in particular, the scope of deliveries and services required to fulfil contractually defined obligations.	<ul style="list-style-type: none"> <li>● Obtained understanding and tested design and operating effectiveness of internal controls over revenue recognition.</li> <li>● Assessed revenue recognition accounting policy to be compliance with Ind AS 115.</li> <li>● Performed tests of details, on a sample basis, verified the underlying customer contracts and relevant supporting documents to analyse the dispatch/delivery conditions i.e. point in time and distinct performance obligations under contract.</li> <li>● Evaluated management assumption for the allocation of transaction price between various performance obligation including variable consideration.</li> <li>● Obtained and verified documents supporting dispatch / delivery of the machines. Obtained and read installation report and other relevant documents maintained by the Company for installation of machines.</li> <li>● Assessed the relevant disclosures made by the company in accordance with Ind AS 115.</li> </ul>

## INDEPENDENT AUDITOR'S REPORT (Contd.)

Key audit matters	How our audit addressed the key audit matter
<p>Valuation of inventories and allowance for receivables (refer note 44 of the financial statements)</p> <p>Due to outbreak of the COVID-19, Textile industry has been affected. Accordingly, there has been slow moving and non-moving of certain inventories and delay in recovery of receivables.</p> <p>As at December 31, 2020, the carrying amount of inventories was ₹ 310.83 million net of write downs. Further, the carrying amount of receivable amounting to ₹ 245.49 million net allowance for receivable of ₹ 9.66 million as at December 31, 2020.</p> <p>The Company writes down inventories based on policy due to various reasons viz: slow-moving, non-moving etc. as well as makes provision for overdue trade receivables based on policy, past experience, current trend and future expectations.</p> <p>Accordingly, the assessment of valuation of inventories and allowance for receivables especially due Covid-19 period requires significant management judgment and hence same is considered as Key Audit Matter.</p>	<p>Our audit procedures included but were not limited to:</p> <ul style="list-style-type: none"> <li>● Obtained an understanding, evaluated the design and tested the operating effectiveness of controls that the Company has in relation to written down of inventories valuation and allowance of receivable.</li> <li>● Tested the aging report of inventories and receivable and on sample basis, tested the calculation of the inventory provision and receivable as per the policy of the Company.</li> <li>● Obtained an understanding of management's estimate on business impact of COVID 19 pandemic on valuation of inventories and receivables.</li> <li>● For specific provisions made, on a sample basis, assessed the basis, assumption used by the management, obtained and read management approvals.</li> <li>● Assessed the Company's disclosures in Note 44 on impact of Covid-19 on the financial statement of the company.</li> </ul>

### INFORMATION OTHER THAN THE FINANCIAL STATEMENTS AND AUDITOR'S REPORT THEREON

The Company's Board of Directors is responsible for the other information. The other information comprises the information included in the Directors report but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do 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 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. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### RESPONSIBILITIES OF MANAGEMENT FOR THE FINANCIAL STATEMENTS

The Company's Board of Directors is responsible for the matters stated in section 134(5) of the Act with respect to the preparation and presentation of these financial statements that give a true and fair view of the financial position, financial performance including other comprehensive income, cash flows and changes in equity of the Company in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards (Ind AS) specified

under section 133 of the Act, read with the Companies (Indian Accounting Standards) Rules, 2015, as amended. 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 the 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.

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.

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

### AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from

## INDEPENDENT AUDITOR'S REPORT (Contd.)

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 SAs 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.

As part of an audit in accordance with SAs, 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 with reference to financial statements 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.

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.

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.

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 for the financial year ended December 31, 2020 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

The financial statements of the Company for the year ended December 31, 2019, included in these financial statements, have been audited by the predecessor auditor who expressed an unmodified opinion on those financial statements on February 25, 2020.

### REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

1. As required by the Companies (Auditor's report) Order, 2016 ("the Order") issued by the Central Government of India in terms of sub-section (11) of section 143 of the Act, we give in the "Annexure 1" a statement on the matters specified in paragraphs 3 and 4 of the Order.
2. 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 Balance Sheet, the Statement of Profit and Loss including the Statement of Other Comprehensive Income, the Cash Flow Statement and Statement of Changes in Equity dealt with by this Report are in agreement with the books of account;

## INDEPENDENT AUDITOR'S REPORT (Contd.)

- (d) In our opinion, the aforesaid financial statements comply with the Accounting Standards specified under section 133 of the Act, read with Companies (Indian Accounting Standards) Rules, 2015, as amended;
- (e) On the basis of written representations received from the directors as on December 31, 2020, and taken on record by the Board of Directors, none of the directors is disqualified as on December 31, 2020, 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 Company with reference to these financial statements and the operating effectiveness of such controls, refer to our separate Report in "Annexure 2" to this report;
- (g) In our opinion, the managerial remuneration for the year ended December 31, 2020 has been paid / provided by the Company to its directors in

accordance with the provisions of section 197 read with Schedule V to the Act; and

- (h) 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 has disclosed the impact of pending litigations on its financial position in its financial statements – Refer note 30 to the financial statement s;
  - ii. The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses; and
  - iii. There has been no delay in transferring amounts, required to be transferred to the Investor Education and Protection Fund by the Company.

### For S R B C & CO LLP

Chartered Accountants

ICAI Firm Registration Number: 324982E/E300003

### per Sukrut Mehta

Partner

Membership Number: 101974

UDIN: 21101974AAAABF4112

Place of Signature: Ahmedabad

Date: February 26, 2021

**INDEPENDENT AUDITOR'S REPORT (Contd.)****ANNEXURE 1 REFERRED TO IN PARAGRAPH 1 OF REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS OF OUR REPORT OF EVEN DATE OF STOVEC INDUSTRIES LIMITED FOR THE YEAR ENDED DECEMBER 31, 2020;**

- (i) a) The Company has maintained proper records showing full particulars, including quantitative details and situation of property, plant and equipment;
- b) Property, plant and equipment have been physically verified by the management during the year and no material discrepancies were identified on such verification;
- c) According to the information and explanations given by the management, the title deeds of immovable properties included in property, plant and equipment are held in the name of the company.
- (ii) The inventory has been physically verified by the management during the year. In our opinion, the frequency of verification is reasonable. No material discrepancies were noticed on such physical verification. Inventories lying with third parties have been confirmed by them as at year end and no material discrepancies were noticed in respect of such confirmations.
- (iii) According to the information and explanations given to us, the Company has not granted any loans, secured or unsecured to companies, firms, Limited Liability Partnerships or other parties covered in the register maintained under section 189 of the Act. Accordingly, the provisions of clause 3(iii)(a), (b) and (c) of the Order are not applicable to the Company and hence not commented upon.
- (iv) In our opinion and according to the information and explanations given to us, there are no loans, guarantees, and securities given in respect of which provisions of section 185 and 186 of the Act are applicable and hence not commented upon. In our opinion and according to the information and explanations given to us, provisions of section 186 of the Act in respect of investments made have been complied with by the company.
- (v) 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 section 148(1) of the Act, related to manufacture and supply of textile machineries, spares and related services, sugar screen, organic and inorganic chemicals and are of the opinion that prima facie, the specified accounts and records have been made and maintained. We have not, however, made a detailed examination of the same.
- (vii) a) According to the information explanation given to us and on the basis of our examination of records of the Company, amounts deducted / accrued in books of account in respect of undisputed statutory dues including provident fund, employees' state insurance, income-tax, duty of custom, goods and service tax, cess and other material statutory dues are generally regularly deposited with government authorities.
- b) According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, employee's state insurance, income-tax, goods and services tax, duty of custom, cess and other material statutory dues were outstanding at the year end, for a period of more than six months from the date they became payable.
- c) According to the information and explanation and records of the Company, the dues of income-tax, value added tax, duty of customs, service tax and goods and services tax not deposited on account of any dispute, are as follows:

Name of the statute	Nature of the dues	Amount (₹ in million)	Period to which the amount relates	Forum where the dispute is pending
The Income Tax Act, 1961	Income Tax	5.41	AY 2007-08 to AY 2011-12 and AY 2017-18	Commissioner of Income Tax (Appeals)
The Finance Act, 1994	Service Tax	0.45	FY 2012-13 FY 2013-14 FY 2014-15	Commissioner of Central Excise (Appeals)
Gujarat Value Added Tax Act	Gujarat Value Added Tax	1.60	FY 2015-16 FY 2016-17	Commissioner of Gujarat Value Added Tax

Apart from above, the Company has deposited ₹ 1.53 million with various tax authorities although the same have been disputed with the respective authorities.



## INDEPENDENT AUDITOR'S REPORT (Contd.)

- (viii) The Company did not have any outstanding loans or borrowing dues to a financial institution or bank or to government or dues to debenture holders during the year and hence, reporting under clause 3(viii) of the order is not applicable to the Company and hence not commented upon.
- (ix) According to the information and explanations given by the management and audit procedures performed by us, the Company has not raised any money way of initial public offer / further public offer / debt instruments and term loans and hence, reporting under clause 3(ix) of the order is not applicable to the Company and hence not commented upon.
- (x) Based upon the audit procedures performed for the purpose of reporting the true and fair view of the financial statements and according to the information and explanations given by the management, we report that no fraud by the company or no material fraud on the company by the officers or employees of the Company has been noticed or reported during the year.
- (xi) According to the information and explanations given by the management and audit procedures performed by us, the managerial remuneration has been paid / provided in accordance with the requisite approvals mandated by the provisions of section 197 read with Schedule V to the Companies Act, 2013.
- (xii) In our opinion, the Company is not a nidhi company and hence, reporting under clause 3(xii) of the order is not applicable to the Company and hence not commented upon.
- (xiii) According to the information and explanations given by the management and audit procedures performed by us, transactions with the related parties are in compliance with section 177 and 188 of Act where applicable and the details have been disclosed in the notes to the financial statements, as required by the applicable accounting standards.
- (xiv) According to the information and explanations given to us and on an overall examination of the balance sheet, the company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year under review and hence, reporting requirements under clause 3(xiv) of the order are not applicable to the company and, not commented upon.
- (xv) According to the information and explanations given by the management and audit procedures performed by us, the Company has not entered into any non-cash transactions with directors or persons connected with him as referred to in section 192 of Companies Act, 2013.
- (xvi) According to the information and explanations given to us, the provisions of section 45-IA of the Reserve Bank of India Act, 1934 are not applicable to the Company.

### For S R B C & CO LLP

Chartered Accountants

ICAI Firm Registration Number: 324982E/E300003

### per Sukrut Mehta

Partner

Membership Number: 101974

UDIN: 21101974AAAABF4112

Place of Signature: Ahmedabad

Date: February 26, 2021

**INDEPENDENT AUDITOR'S REPORT (Contd.)****ANNEXURE 2 OF THE INDEPENDENT AUDITOR'S REPORT OF EVEN DATE ON THE FINANCIAL STATEMENTS OF STOVEC INDUSTRIES LIMITED****REPORT ON THE INTERNAL FINANCIAL CONTROLS UNDER CLAUSE (I) OF SUB-SECTION 3 OF SECTION 143 OF THE COMPANIES ACT, 2013 ("THE ACT")**

We have audited the internal financial controls over financial reporting of Stovec Industries Limited ("the Company") as of December 31, 2020 in conjunction with our audit of the financial statements of the Company for the year ended on that date.

**MANAGEMENT'S RESPONSIBILITY FOR INTERNAL FINANCIAL CONTROLS**

The Company's Management is responsible for establishing and maintaining internal financial controls 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 (the "Guidance Note") 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 its 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**

Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting with reference to these financial statements based on our audit. We conducted our audit in accordance with the Guidance Note and the Standards on Auditing as specified under section 143(10) of the Act, to the extent applicable to an audit of internal financial controls and, both issued by the Institute of Chartered Accountants of India. 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 internal financial controls over financial reporting with reference to these financial statements was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls over financial reporting with reference to these financial statements and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting with reference to these financial statements, 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the internal financial controls over financial reporting with reference to these financial statements.

**MEANING OF INTERNAL FINANCIAL CONTROLS OVER FINANCIAL REPORTING WITH REFERENCE TO THESE FINANCIAL STATEMENTS**

A company's internal financial control over financial reporting with reference to these financial statements 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 internal financial control over financial reporting with reference to these financial statements includes 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 WITH REFERENCE TO THESE FINANCIAL STATEMENTS**

Because of the inherent limitations of internal financial controls over financial reporting with reference to these financial statements, 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 internal financial controls over financial reporting with reference to these financial statements to future periods are subject to the risk that the internal financial control over financial reporting with reference to these financial statements may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

**OPINION**

In our opinion, the Company has, in all material respects, adequate internal financial controls over financial reporting with reference to these financial statements and such internal financial controls over financial reporting with reference to these financial statements were operating effectively as at December 31, 2020, 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.

**For S R B C & CO LLP**

Chartered Accountants

ICAI Firm Registration Number: 324982E/E300003

**per Sukrut Mehta**

Partner

Membership Number: 101974

UDIN: 21101974AAAABF4112

Place of Signature: Ahmedabad

Date: February 26, 2021

**BALANCE SHEET**

AS AT DECEMBER 31, 2020

(₹ in Million)

	Note	As at December 31, 2020	As at December 31, 2019
<b>ASSETS</b>			
<b>Non-current assets</b>			
(a) Property, plant and equipment	4	296.28	258.36
(b) Capital work-in-progress	4	-	45.74
(c) Other Intangible assets	4	0.21	1.21
(d) Financial assets			
(i) Investments	5	8.36	7.01
(ii) Other financial assets	9	7.53	7.53
(e) Deferred tax assets (net)	26	5.18	0.97
(f) Other assets	10	28.84	15.70
<b>Total Non-current Assets</b>		<b>346.40</b>	<b>336.52</b>
<b>Current assets</b>			
(a) Inventories	6	310.83	331.60
(b) Financial assets			
(i) Trade receivables	7	245.49	314.42
(ii) Cash and cash equivalents	8	136.42	313.56
(iii) Bank balances other than (ii) above	8	732.29	461.64
(iv) Other financial assets	9	22.42	13.74
(c) Other assets	10	12.03	10.14
<b>Total Current Assets</b>		<b>1,459.48</b>	<b>1,445.10</b>
<b>Total Assets</b>		<b>1,805.88</b>	<b>1,781.62</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
(a) Equity Share Capital	11	20.88	20.88
(b) Other Equity	12	1,333.67	1,326.54
<b>Total Equity</b>		<b>1,354.55</b>	<b>1,347.42</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
(a) Provisions	16	21.12	16.92
<b>Total Non-current Liabilities</b>		<b>21.12</b>	<b>16.92</b>
<b>Current liabilities</b>			
(a) Financial Liabilities			
(i) Trade payables			
- total outstanding dues of micro enterprises and small enterprises	13	1.04	2.72
- total outstanding dues of creditors other than micro enterprises and small enterprises	13	200.66	212.30
(ii) Other financial liabilities	14	54.31	58.34
(b) Other liabilities	15	137.97	96.62
(c) Provisions	16	35.09	37.90
(d) Current tax liabilities (net)	17	1.14	9.40
<b>Total Current Liabilities</b>		<b>430.21</b>	<b>417.28</b>
<b>Total Liabilities</b>		<b>451.33</b>	<b>434.20</b>
<b>Total Equity and Liabilities</b>		<b>1,805.88</b>	<b>1,781.62</b>
Summary of significant accounting policies	3		

The accompanying notes are an integral part of these financial statements

As per our report of even date

**For S R B C & CO LLP**

Chartered Accountants

ICAI Firm Registration No.: 324982E/E300003

For and on behalf of the Board of Directors

**Stovec Industries Limited****per Sukrut Mehta**

Partner

Membership No. 101974

**K. M. Thanawalla**

Chairman

(DIN: 00201749)

**Shailesh Wani**

Managing Director

(DIN: 06474766)

**Paras Mehta**

Chief Financial Officer

**Sanjeev Singh Sengar**

Company Secretary

Place : Ahmedabad

Date : February 26, 2021

Place : Ahmedabad

Date : February 26, 2021

# STATEMENT OF PROFIT AND LOSS

FOR THE YEAR ENDED DECEMBER 31, 2020

(₹ in Million)

	Note	Year ended December 31, 2020	Year ended December 31, 2019
<b>INCOME</b>			
Revenue from operations	18	1,501.17	1,942.47
Other income	19	51.68	54.85
<b>Total Income</b>		<b>1,552.85</b>	<b>1,997.32</b>
<b>EXPENSES</b>			
Cost of raw material consumed	20	782.06	936.73
Purchase of stock-in-trade	21	18.03	60.49
Changes in Inventories of finished goods, work-in-progress and stock-in-trade	22	(0.28)	(41.87)
Employee benefits expense	23	202.21	199.44
Finance costs	24	0.44	0.65
Depreciation and amortisation expense	4	45.34	44.10
Other expenses	25	333.43	425.62
<b>Total expenses</b>		<b>1,381.23</b>	<b>1,625.16</b>
<b>Profit Before Tax</b>		<b>171.62</b>	<b>372.16</b>
<b>Tax expense</b>	26		
- Current tax		40.44	96.21
- Adjustment of income tax related to earlier years (net)		1.81	0.03
- Deferred tax credit		(5.26)	(3.45)
		<b>36.99</b>	<b>92.79</b>
<b>Net Profit for the year</b>		<b>134.63</b>	<b>279.37</b>
<b>Other Comprehensive Income ("OCI")</b>			
<b>Items that will not be reclassified to profit or loss in subsequent periods (net of tax)</b>			
(i) Remeasurements (loss) on the defined benefit plans		(1.89)	(3.15)
(ii) Fair valuation (loss) on equity instruments through other comprehensive income		(0.32)	(3.05)
<b>Net other comprehensive income not to be reclassified to profit or loss in subsequent periods</b>		<b>(2.21)</b>	<b>(6.20)</b>
<b>Total Comprehensive Income for the year, net of tax</b>		<b>132.42</b>	<b>273.17</b>
<b>Earnings per share</b> <b>[Face Value of share ₹ 10/- (December 31, 2019 - ₹ 10/-)]</b>			
Basic and Diluted earnings per share (in ₹)	27	64.48	133.80
Summary of significant accounting policies	3		

The accompanying notes are an integral part of these financial statements

As per our report of even date

**For S R B C & CO LLP**

Chartered Accountants

ICAI Firm Registration No.: 324982E/E300003

**per Sukrut Mehta**

Partner

Membership No. 101974

For and on behalf of the Board of Directors

**Stovec Industries Limited**

**K. M. Thanawalla**

Chairman

(DIN: 00201749)

**Shailesh Wani**

Managing Director

(DIN: 06474766)

**Paras Mehta**

Chief Financial Officer

**Sanjeev Singh Sengar**

Company Secretary

Place : Ahmedabad

Date : February 26, 2021

Place : Ahmedabad

Date : February 26, 2021

**CASH FLOW STATEMENT**

FOR THE YEAR ENDED DECEMBER 31, 2020

(₹ in Million)

	Year ended December 31, 2020	Year ended December 31, 2019
<b>A. CASH FLOW FROM OPERATING ACTIVITIES:</b>		
Profit before tax	171.62	372.16
Adjustment to reconcile profit before tax to net cash flows:		
Depreciation and amortisation expense	45.34	44.09
Finance cost	0.44	0.65
Interest income	(37.58)	(42.20)
Unrealised foreign exchange loss / (gain)	0.82	(0.31)
Realised foreign exchange gain on business acquisition	-	(2.94)
Loss on sale of assets	1.04	0.24
Provision / (Reversal) for doubtful trade receivables (net)	4.77	(0.46)
(Reversal) / Provision for other liabilities	(6.03)	3.84
(Reversal) / Provision for warranty (net)	(0.55)	1.74
Operating profit before working capital changes	179.87	376.81
Adjustments for changes in working capital:		
(Increase) in other assets	(9.51)	(10.17)
Decrease / (Increase) in inventories	20.77	(89.25)
Decrease / (Increase) in trade receivables	64.26	(34.71)
Increase in other liabilities and provisions	45.61	37.62
(Decrease) / Increase in trade payables	(14.24)	24.53
Cash generated from operations	286.76	304.83
Direct taxes paid (net)	(64.57)	(90.75)
Net cash flow generated from operating activities	222.19	214.08
<b>B. CASH FLOW FROM INVESTING ACTIVITIES:</b>		
Payment toward purchase of property, plant and equipment	(41.02)	(54.18)
Payment toward purchase consideration paid for business acquisition	-	(195.71)
Proceeds from sale of property, plant and equipment	0.28	1.45
(Redemptions) / Investments in bank deposits (having original maturity of more than three months) (net)	(270.65)	359.96
Interest received	36.90	45.91
Net cash flow (used in) / generated from investing activities	(274.49)	157.43
<b>C. CASH FLOW FROM FINANCING ACTIVITIES:</b>		
Dividend paid on equity shares	(124.40)	(113.35)
Dividend distribution tax paid on above	-	(23.61)
Finance costs paid	(0.44)	(1.92)
Net cash flow (used in) financing activities	(124.84)	(138.88)
Net (decrease) / Increase in cash and cash equivalents (A+B+C)	(177.14)	232.63
Cash and cash equivalents as at the beginning of the year	313.56	80.93
Cash and cash equivalents as at the end of the year	136.42	313.56



# CASH FLOW STATEMENT

FOR THE YEAR ENDED DECEMBER 31, 2020

## Notes :

### 1 Components of cash and cash equivalents (refer note 8) (₹ in Million)

	As at December 31, 2020	As at December 31, 2019
Cash on hand	0.20	0.31
Cheques on hand	-	0.76
Bank Balances :		
- In Current Accounts	87.22	97.49
- Deposits with original maturity less than 3 months	49.00	215.00
<b>Cash and cash equivalents at end of the year</b>	<b>136.42</b>	<b>313.56</b>

2 The above Cash Flow Statement has been prepared under the "Indirect Method" as set out in the Ind AS 7 "Statement of Cash Flows" as specified in the Companies (Indian Accounting Standards) Rules, 2015.

### 3 Changes in liabilities arising from financial activities: (₹ in Million)

	January 1, 2020	Net Cash flow	December 31, 2020
Dividend paid on equity shares	-	124.40	-
Finance costs	-	0.44	-
<b>Total</b>	<b>-</b>	<b>124.84</b>	<b>-</b>
Dividend paid on equity shares	-	113.35	-
Dividend distribution tax paid on above	-	23.61	-
Finance costs	-	1.92	-
<b>Total</b>	<b>-</b>	<b>138.88</b>	<b>-</b>

4 Figures in brackets represents cash outflows.

As per our report of even date

**For S R B C & CO LLP**

Chartered Accountants

ICAI Firm Registration No.: 324982E/E300003

**per Sukrut Mehta**

Partner

Membership No. 101974

Place : Ahmedabad

Date : February 26, 2021

For and on behalf of the Board of Directors

**Stovec Industries Limited**

**K. M. Thanawalla**

Chairman

(DIN: 00201749)

**Paras Mehta**

Chief Financial Officer

Place : Ahmedabad

Date : February 26, 2021

**Shailesh Wani**

Managing Director

(DIN: 06474766)

**Sanjeev Singh Sengar**

Company Secretary

# STATEMENT OF CHANGE IN EQUITY

FOR THE YEAR ENDED ON DECEMBER 31, 2020

## A. EQUITY SHARE CAPITAL

Equity shares of ₹ 10 each issued, subscribed and fully paid (refer note 11)	No. of Shares	(₹ in Million)
As at January 1, 2019	20,88,016	20.88
Add/(Less): Changes during the year	-	-
As at December 31, 2019	20,88,016	20.88
As at January 1, 2020	20,88,016	20.88
Add/(Less): Changes during the year	-	-
As at December 31, 2020	20,88,016	20.88

## B. OTHER EQUITY

	Reserves and Surplus					Items of Other Comprehensive Income - Equity instrument through OCI (refer note 12)	Total
	General Reserve (refer note 12)	Securities Premium (refer note 12)	Capital Redemption Reserve (refer note 12)	Capital Reserve (refer note 12)	Capital Reserve on Business Combination (refer note 12)	Retained Earnings (refer note 12)	
As at January 1, 2019	181.95	79.62	0.35	0.35	(190.26)	1,122.62	1,192.51
Profit for the year	-	-	-	-	-	279.37	279.37
Change in fair value of investments measured at FVTOCI (net of tax)	-	-	-	-	-	(3.05)	(3.05)
Remeasurement (loss) of the defined benefit plans (net of tax)	-	-	-	-	-	(3.15)	(3.15)
<b>Total Comprehensive Income for the year</b>	-	-	-	-	-	<b>276.22</b>	<b>273.17</b>
Effect on account of adoption of Ind AS 115 from January 1, 2019: [refer note 12 (vi)]	-	-	-	-	-	(0.69)	(0.69)
Final dividend	-	-	-	-	-	(114.84)	(114.84)
Tax on final dividend	-	-	-	-	-	(23.61)	(23.61)
As at December 31, 2019	181.95	79.62	0.35	0.35	(190.26)	1,259.70	1,326.54
As at January 1, 2020	181.95	79.62	0.35	0.35	(190.26)	1,259.70	1,326.54
Profit for the year	-	-	-	-	-	134.63	134.63
Change in fair value of investments measured at FVTOCI (net of tax)	-	-	-	-	-	(0.32)	(0.32)
Remeasurement (loss) of the defined benefit plans (net of tax)	-	-	-	-	-	(1.89)	(1.89)
<b>Total Comprehensive Income for the year</b>	-	-	-	-	-	<b>132.74</b>	<b>132.42</b>
Final dividend	-	-	-	-	-	(125.29)	(125.29)
As at December 31, 2020	181.95	79.62	0.35	0.35	(190.26)	1,267.15	1,333.67

The accompanying notes are an integral part of these financial statements

As per our report of even date For and on behalf of the Board of Directors

**Stovec Industries Limited**

Chartered Accountants  
ICAI Firm Registration No.: 324982E/E3000003

**per Sukrut Mehta**

Partner  
Membership No. 101974  
Place : Ahmedabad  
Date : February 26, 2021

**K. M. Thanawalla**

Chairman  
(DIN: 00201749)  
Place : Ahmedabad  
Date : February 26, 2021

**Shailesh Wani**

Managing Director  
(DIN: 06474766)

**Paras Mehta**

Chief Financial Officer

**Sanjeev Singh Sengar**

Company Secretary

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

## 1 GENERAL INFORMATION

Stovec Industries Limited ("the Company") was incorporated on June, 5 1973. The Company's factory and registered office is located in Ahmedabad, Gujarat. The Company is listed on Bombay Stock Exchange. The ultimate parent company is Print II B.V., Netherlands. The Company is engaged in the manufacturing and selling of Textile Machinery & Consumables, Graphics Consumables and Galvanic Screens. The Company is a Technology and Market leader in Rotary Screen Printing Industry in India.

The Financial statements were approved for issue in accordance with a resolution of the board of directors on February 26, 2021.

- 2 The Financial statements of the Company have been prepared in accordance with Indian Accounting Standards ("Ind AS") notified under the Companies (Indian Accounting Standards) Rules, 2015 (as amended from time to time) and presentation requirements of Division II of Schedule III to the Companies Act 2013, (Ind AS compliant Schedule III), as applicable to Financial statements.

These Financial statements have been prepared on a historical cost convention and on an accrual basis, except for the following assets and liabilities which have been measured at fair value:

- Certain financial assets and liabilities measured at fair value (refer accounting policy regarding financial instruments).

The financial statements are presented in ₹ in Millions and all values are disclosed in ₹ in million except when otherwise stated.

## 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following are the significant accounting policies applied by the Company in preparing its financial statements:

### 3.01 Current versus non-current classification:

The Company presents assets and liabilities in the Balance Sheet based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in the normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realised within twelve months after the reporting period; or

- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Company classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

### Operating cycle

Operating cycle of the Company is the time between the acquisition of assets for processing and their realisation in cash or cash equivalents. The Company has considered 12 months as its operating cycle.

### 3.02 Property, Plant and Equipment:

Property, plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. The cost comprises of its purchase price and other incidental expenses that are directly attributable to the acquisition of the asset. When significant parts of Property, plant and equipment are required to be replaced at intervals, the Company recognises such parts as individual assets with specific useful lives and depreciates them accordingly. Subsequent expenditure related to an item of property plant and equipment is added to its book value only if it increases the future benefits from the existing asset beyond its previously assessed standard of performance.

The cost of stores and spares above the threshold determine by management and which qualify as property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. Repairs and maintenance costs are recognised in profit or loss as incurred.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

Capital work-in-progress comprises cost of capital assets that are not yet installed and ready for their intended use at the balance sheet date.

A Property Plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising upon derecognition of the assets which is 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.

## Depreciation

Depreciation on property, plant and equipment (except free hold land) is provided on straight line basis over their useful lives of the assets as prescribed under Part C of Schedule II to the Companies Act 2013 except for the assets mentioned below for which useful life is technically estimated by the management based on internal assessment. The management estimates the useful lives as follows:

	Useful Life (Years)
Building	5 to 60
Plant and Equipment	7.5 to 15
Computers	3 to 6
Furniture and Fixtures	10
Office Equipments	5
Vehicles	8

The management believes that the useful life as given above represent the period over which management expects to use these assets. Hence the useful lives for these assets are different from the useful lives as prescribed under Part C of Schedule II to the Companies Act 2013.

When parts of an item of property, plant and equipment have different useful life, they are accounted for as separate items (Major Components) and are depreciated over their useful life or over the remaining useful life of the principal assets whichever is less.

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 required.

### 3.03 Intangible Assets

Intangible assets acquired separately by the company and that have finite useful lives are measured on initial recognition at cost. The cost

of intangible assets acquired through consolidated business prices are apportioned to the various assets class on a fair value basis as determined by competent valuer. Following initial recognition, other Intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses, if any.

Subsequent expenditures are capitalised only when they increase the future economic benefits embodied in the specific asset to which they relate.

## Amortisation

Amortisation on the following intangible assets are provided on straight line basis over the useful lives of the assets as estimated by management based on internal assessment. The management estimates the useful lives as follows:

	Useful Life (Years)
Computer Software	3

The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the Statement of Profit and Loss.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in the statement of profit and loss when the asset is derecognised.

### 3.04 Impairment of non-financial assets:

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are

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largely independent of those from other assets of the Company. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. The impairment loss is recognized in the statement of profit and loss.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to disposal, recent market transactions are taken into account, if available.

The Company bases its impairment calculation on future cash flows after considering economic condition and estimated future operating results which are prepared separately for each of the Company's CGU.

After impairment, depreciation/ amortisation is provided on the revised carrying amount of the asset over its remaining useful life.

## 3.05 Inventories

Inventories of Raw material, Work-in-progress, Finished goods, packing materials, stores, spares and tools and stock in trade (traded goods) are measured at the lower of cost and net realisable value. Raw material and other items held for use in the production of inventories are not written down below cost if the finished products in which they will be incorporated are expected to be sold at or above cost.

Costs incurred in bringing each product to its present location and condition are accounted for as follows:

- i) Raw materials, packing materials, stores, spares and tools and traded goods: Cost includes cost of purchase and other costs incurred in bringing the inventories to their present location and condition. Cost is computed on a moving weighted average cost basis.
- 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 moving weighted average cost basis comprising material, labour and related factory overheads.

Net realisable value is determined based on estimated selling price, less costs of completion.

The Company writes down inventory valuation where the realisable value is estimated to be lower than the inventory carrying value because of slow or non moving inventories as per policy consistently followed by the company.

## 3.06 Revenue Recognition

Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. The Company has generally concluded that it is the principal in its revenue arrangements.

### Sale of goods and services

Revenue from the sale of goods is recognised at the point in time when control of the asset is transferred to the customer, generally on the dispatch / delivery of the product. In case of sale of Textile Machines, revenue recognised is based on the dispatch /delivery of machines on completion of manufacturing. A certain portion of revenue towards installation is deferred and recorded when the installation is completed to the satisfaction of the customers.

The Company collects Goods and Services Tax (GST) on behalf of the Government which is not economic benefits flowing to the company and hence, is excluded from revenue.

The Company considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated.

Service income is recognised at the point in time after completion of services in accordance with the terms of contracts. In case of Annual Maintenance Services, revenue recognised over period of time. The same is recorded net of GST.

### Contract liabilities

A contract liability is recognised if a payment is received or a payment is due (whichever is earlier)



# NOTES TO THE FINANCIAL STATEMENTS

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from a customer before the Company transfers the related goods or services. Contract liabilities are recognised as revenue when the Company performs its obligations under the contract (i.e., transfers control of the related goods or services to the customer).

## Trade receivables

A receivable is recognised if an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due). Refer to accounting policies of financial assets in section Financial instruments – initial recognition and subsequent measurement.

## Cost to obtain a contract and cost to fulfil a contract

The company recognise sales commission as an expense in the period in which related revenue is recognised as per the election of the optional practical expedient.

Cost to fulfil a contract i.e. freight, insurance and other selling expenses are recognised as an expense in the period in which related revenue is recognised.

## Other Revenue

Commission income is recognised and accounted on accrual basis.

## Interest income

Interest income primarily comprise of interest from deposit with bank. Interest Income is recorded using the effective interest rate (EIR). The EIR is the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the gross carrying amount of the financial asset. When calculating the effective interest rate, the Company estimates the expected cash flows by considering all the contractual terms of the financial instrument but does not consider the expected credit losses.

## Export Benefits

Export benefits are recognized for export of goods, if the entitlement can be estimated with reasonable accuracy and conditions precedent to claim are fulfilled.

## Lease rental Income

Lease rental income from operating leases are recognised on accrual basis.

## Sale of Scrap

Revenue from the sale of scrap is recognised at the point in time when scrap has been dispatched / sold.

## 3.07 Retirement and other employee benefits:

### a) Short Term Employee Benefits:

All employee benefits payable within twelve months of rendering the service are classified as short term benefits. Such benefits include salaries, wages, bonus, short term compensated absences, awards, ex-gratia, performance pay etc. and the same are recognised in the period in which the employee renders the related service.

### b) Post-Employment Benefits :

#### (i) Defined contribution plan

Retirement benefit in the form of provident fund are defined contribution scheme. Provident fund contribution is made to the Government administered provident fund. The company has no obligation, other than the contribution payable to the provident fund. The company recognizes contribution payable to the provident fund as an expenditure, when an employee renders the related service.

#### (ii) Defined benefit plan

The employee's gratuity fund scheme is Company's defined benefit plan. A defined benefit retirement plan covering eligible employees through Group Gratuity Scheme of Life Insurance Corporation of India. The present value of the obligation under such defined benefit plans is determined based on the actuarial valuation using the Projected Unit Credit Method as at the date of the Balance sheet. The fair value of plan asset is reduced from the gross obligation under the defined benefit plans, to recognise the obligation on the net basis.

Re-measurements, comprising of actuarial gains and losses, the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability and the return on plan assets (excluding amounts included in net interest on the net defined benefit liability), are recognised immediately in the Balance

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Sheet with a corresponding debit or credit to retained earnings through OCI in the period in which they occur. Re-measurements are not reclassified to Statement of Profit and Loss in subsequent periods.

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Company recognises the following changes in the net defined benefit obligation as an expense in the Statement of profit and loss:

- Service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements; and
- Net interest expense or income

## c) Other long term employment benefits:

Accumulated leave, which is expected to be utilized within the next 12 months, is treated as short-term employee benefit. The company measures the expected cost of such absences as the additional amount that it expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The Company treats accumulated leave expected to be carried forward beyond twelve months, as other long-term employee benefit for measurement purposes. Such other long-term compensated absences are provided for based on the actuarial valuation using the projected unit credit method at the year-end. The Company presents the leave as a current liability in the balance sheet; to the extent it does not have an unconditional right to defer its settlement for 12 months after the reporting date. Where Company has the unconditional legal and contractual right to defer the settlement for a period beyond 12 months, the same is presented as non-current liability.

## 3.08 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

### a) Financial assets

#### (i) Initial recognition and measurement of financial assets

The classification of financial assets at initial recognition depends on the

financial asset's contractual cash flow characteristics and the Company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient are measured at the transaction price determined under Ind AS 115.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows while financial assets classified and measured at fair value through OCI are held within a business model with the objective of both holding to collect contractual cash flows and selling.

#### (ii) Subsequent measurement of financial assets

For purposes of subsequent measurement, financial assets are classified in three categories:

- Financial assets at amortised cost
- Financial assets at fair value through other comprehensive income (FVTOCI)
- Financial assets at fair value through profit or loss (FVTPL)

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

- **Financial assets at amortised cost (debt instruments)**

A Financial asset is measured at amortised cost if both the following condition are met:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows, and;
- the contractual terms of the financial 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 profit or loss. The losses arising from impairment are recognised in the profit or loss.

- **Financial assets at fair value through other comprehensive income (FVTOCI)**

A financial asset is classified as at the fair value through other comprehensive income if both the followings criteria are met:

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

Instruments included within the FVTOCI category are measured initially as well as at each reporting date at fair value. For debt instruments, at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI. Upon

derecognition, the cumulative fair value changes recognised in OCI is reclassified from the equity to profit or loss.

The Company has equity investments in two entities which are not held for trading. The Company has elected the FVTOCI irrevocable option for these investments (refer note 5). Fair value is determined in the manner described in below note. Dividends on equity investments are recognised in the statement of profit and loss when the right of payment has been established.

- **Financial assets at fair value through profit or loss (FVTPL)**

Any finance assets, which does not meet the criteria for categorization as at amortized cost or as FVTOCI, is classified as at FVTPL.

Financial assets at fair value through profit or loss are carried in the balance sheet at fair value with net changes in fair value recognised in the statement of profit and loss.

This category includes derivative instruments and equity investments which the Company had not irrevocably elected to classify at fair value through OCI. Dividends on equity investments are recognised in the statement of profit and loss when the right of payment has been established.

In addition, the Company may elect to designate a financial asset, which otherwise meets amortized cost or fair value through other comprehensive income criteria, as at fair value through profit or loss. However, such election is adopted only if doing so reduces or eliminates a measurement or recognition inconsistency (referred to as 'accounting mismatch').

After initial measurement, such financial assets are subsequently measured at fair value with all changes recognised in Statement of profit and loss.

- (iii) **De-recognition of financial assets**

A financial asset (or, where applicable, a part of a financial asset or part of a

# NOTES TO THE FINANCIAL STATEMENTS

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company of similar financial assets) is primarily derecognised (i.e. removed from the company's balance sheet) when:

- The rights to receive cash flows from the asset have expired, or
- 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 and has not 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.

## (iv) Impairment of financial assets

In accordance with Ind-AS 109, the Company applies expected credit loss (ECL) model for measurement and recognition of impairment loss on the following financial assets and credit risk exposure:

- Financial assets that are debt instruments, and are measured at amortised cost e.g., trade receivables and bank balance.
- Trade receivables or any contractual right to receive cash or another financial asset

that result from transactions that are within the scope of Ind AS 115.

For trade receivables, the company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

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 whose credit risk has not significantly increased since initial recognition, loss allowance equal to twelve months expected credit loss is recognised. Loss allowance of equal to the lifetime expected credit losses is recognised if the credit risk of the financial asset has significantly increased since initial recognition.

ECL impairment loss allowance (or reversal) recognized during the period is recognized as expense/ income in the Standalone Statement of Profit and Loss (P&L). This amount is reflected in a separate line under the head "Other expenses" in the P&L. The balance sheet presentation for 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.

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.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

## b) Financial liabilities and equity instruments

### (i) Initial recognition and measurement of financial liabilities

Financial liabilities such as loans, borrowings and payables are classified, at initial recognition, as financial liabilities, net of directly attributable transaction costs, at fair value through profit or loss, as appropriate.

The Company's financial liabilities include trade and other payables and derivative financial instruments.

### (ii) Subsequent measurement of financial liabilities

The measurement of financial liabilities depends on their classification, as described below:

#### ● Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. Company has not designated any liability at fair value through profit or loss.

#### ● Financial liabilities at amortised cost (Borrowings)

After initial recognition, interest-bearing borrowings are subsequently measured at amortised cost using the Effective Interest Rate - EIR method. Gains and losses are recognised in profit or 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.

### (iii) De-recognition of financial liabilities

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 or loss.

## c) Derivative financial instruments

The Company uses derivative financial instruments, such as forward currency contract to hedge its foreign currency risks. 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 profit or loss.

## d) Re-classification of financial assets

The Company determines classification of financial assets and liabilities on initial recognition. After initial recognition, no reclassification is made for financial assets which are equity instruments and financial liabilities.

## e) 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.



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

## 3.09 Fair value measurement

The Company measures financial instruments such as derivatives at fair value at the end of each reporting period.

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 fair value of an asset or a liability is measured using the assumptions that market participants act in their economic best interest.

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.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

At each reporting date, management analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Company's accounting policies.

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.

## 3.10 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 respective asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that the Company incurs in connection with the borrowing of funds. Borrowing cost also includes exchange differences to the extent regarded as an adjustment to the borrowing costs.

## 3.11 Operating Leases

The Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

### Company as a lessee:

The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Company recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

### Short-term leases and leases of low-value assets

The Company applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

## Company as a lessor:

Leases in which the company does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

## 3.12 Foreign currencies

The Company's financial statements are presented in Indian Rupee (₹), which is the functional currency of Company.

### Transactions and balances

Transactions in foreign currencies are initially recorded in the Company's functional currency using exchange rate prevailing on the date of transaction.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency with closing rates of exchange at the reporting date. Exchange differences arising on settlement of such transaction and on translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rate are recognised in the Statement of Profit and Loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are recorded using the exchange rates at the date of transaction.

## 3.13 Taxation

Tax expense comprises of current income tax and deferred tax.

### Current income tax

Current 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 are recognised in correlation to the underlying transaction either in statement of profit and loss, other comprehensive income 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.

### Deferred income 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. 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 utilised, except when the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;

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 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.

Deferred tax relating to items recognised outside Statement of profit and loss is recognised outside Statement of profit and loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

# NOTES TO THE FINANCIAL STATEMENTS

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## 3.14 Governments 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.

## 3.15 Segment reporting

The Company identifies primary segments based on the dominant source, nature of risks and returns and the internal organisation and management structure. The operating segments are the segments for which separate financial information is available and for which operating profit / loss amounts are evaluated regularly by the Chief Operating Decision Maker (CODM) in deciding how to allocate resources and in assessing performance.

The accounting policies adopted for segment reporting are in line with the accounting policies of the Company. Segment revenue, segment expenses, segment assets and segment liabilities have been identified to segments on the basis of their relationship to the operating activities of the segment.

Revenue, expenses, assets and liabilities which relate to the Company as a whole and are not allocable to segments on reasonable basis have been included under "unallocated revenue / expenses / assets / liabilities".

## 3.16 Provisions:

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability.

### Warranty Provision

The Company estimates and provides for liability for product warranties in the year in which the products are sold. These estimates are established using historical information on the nature, frequency, quantum of warranty claims and corrective actions against product failures and the estimates are

reviewed annually for any material changes in assumptions. Assumptions used to calculate the provision for warranties are based on current sales level and current information available about returns. The timing of outflows will vary based on the actual warranty claims.

## 3.17 Contingent Liabilities:

Contingent liabilities are disclosed for (i) when there is a possible obligation arising from past events, the existence of which will be confirmed only by the occurrence or non occurrence of one or more uncertain future events not wholly within the control of the Company or (ii) a present obligation that arises from past events where it is either not probable that an outflow of resources will be required to settle or the amount of the obligation cannot be measured with sufficient reliability. The company does not recognize a contingent liability but discloses its existence in the financial statements.

## 3.18 Cash and cash equivalents

Cash and cash equivalents in the balance sheet and for the purpose of cash flow statement, comprise cash at bank including demand deposits readily realisable with banks with an original maturity of three months or less, that are readily convertible to a known amount of cash and subject to an insignificant risk of changes in value and cash in hand.

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and short-term deposits, as defined above, net of outstanding bank overdrafts as they are considered an integral part of the Company's cash management.

## 3.19 Cash dividend distribution to equity holders

The Company recognises a liability to pay dividend to equity holders of the Company when the distribution is authorised and the distribution is no longer at the discretion of the Company. As per the Companies Act, 2013, a distribution is authorised when it is approved by the shareholders. A corresponding amount is recognised directly in equity.

## 3.20 Earnings Per Share

Basic EPS is calculated by dividing the profit for the year attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the year.

Diluted EPS is calculated by dividing the profit attributable to ordinary equity holders by the weighted average number of ordinary shares

## NOTES TO THE FINANCIAL STATEMENTS

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outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

### 3.21 Significant Accounting judgments, estimates and assumptions:

The preparation of the Company's financial statements as per Ind AS requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Actual results may differ from these estimates that require a material adjustment to the carrying amount of assets or liabilities. Revisions to accounting estimates are recognised prospectively.

#### Estimates and assumptions:

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are as below:

#### i) Useful lives of property, plant and equipment/ intangible assets:

Determination of the estimated useful lives of property, plant and equipment/ intangible assets and the assessment as to which components of the cost may be capitalized. Useful lives of property, plant and equipment/ intangible assets are based on the life prescribed in Schedule II of the Companies Act, 2013. In cases, where the useful lives are different from that prescribed in Schedule II, they are based on technical advice / evaluation, taking into account the nature of the asset, the estimated usage of the asset, operating conditions of the asset.

#### ii) Fair value measurement of financial instruments:

In estimating the fair value of financial assets and financial liabilities, the Company uses market observable data to the extent available. Where such Level 1 inputs are not available, the Company establishes appropriate valuation techniques and inputs to the model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in

establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments. Refer to note no 36 for the details of financial instruments valued at fair value.

#### iii) Defined benefit plans

The cost of the defined benefit gratuity plan and the present value of the gratuity obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, attrition rate and mortality rates. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date. Information about the various estimates and assumptions made in determining the present value of defined benefit obligations are disclosed in note no 28.

#### iv) Taxes

Significant management judgement is required to determine the amounts of current taxes, deferred taxes and tax credits that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies (refer note 26).

#### v) Product warranties

Significant management judgments are involved in determining the estimates and provides for liability for product warranties in the year in which the products are sold. These estimates are established using historical information on the nature, frequency, quantum of warranty claims and corrective actions against product failures and the estimates are reviewed annually for any material changes in assumptions. Assumptions used to calculate the provision for warranties are based on current sales level and current information available about returns. The timing of outflows will vary based on the actual warranty claims (refer note 16).

#### vi) Impairment of financial assets

The impairment provisions for Financial Assets are based on assumptions about risk of default

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

and expected cash loss. The Company uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on Company's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

## vii) Written down of inventories

An inventory written down is recognised where the realisable value is estimated to be lower than the inventory carrying value. The inventory written down is estimated taking into account various factors, including policy of the company, aging of inventory, past experience, current trend and future expectations (refer note 6).

## 3.22 Changes in accounting policies and disclosure

### New and amended standards

The Company applied Ind AS 116 for the first time. The nature and effect of the changes as a result of adoption of these new accounting standards are described below:

Several other amendments and interpretations apply for the first time in December 2020, but do not have an impact on these Financial statements of the Company. The Company has not early adopted any standards or amendments that have been issued but are not yet effective.

### Ind AS 116 Leases

Ind AS 116 supersedes Ind AS 17 Leases including its appendices (Appendix C of Ind AS 17 Determining whether an Arrangement contains a Lease, Appendix A of Ind AS 17 Operating Leases-Incentives and Appendix B of Ind AS 17 Evaluating the Substance of Transactions Involving the Legal Form of a Lease). The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the balance sheet.

The Company has adopted Ind AS 116 'Leases' with effect from January 1, 2020 using the modified retrospective method. Cumulative effect of initially applying the standard has been recognised on the date of initial application and hence the Company has not restated comparative information. The Company also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not

contain a purchase option (short-term leases), and lease contracts for which the underlying asset is of low value (low-value assets).

The adoption of Ind AS 116 doesn't have material impact on the financial statement for the year ended December 31, 2020 and earnings per share for the aforesaid periods.

## Appendix C to Ind AS 12 Uncertainty over Income Tax Treatment

The appendix addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of Ind AS 12 Income Taxes. It does not apply to taxes or levies outside the scope of Ind AS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments.

The Company determines whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments and uses the approach that better predicts the resolution of the uncertainty. The Company applies significant judgement in identifying uncertainties over income tax treatments.

Upon adoption of the Appendix C to Ind AS 12, the Company considered whether it has any uncertain tax positions, particularly those relating to transfer pricing. The Company determined, based on its tax compliance and transfer pricing study, that it is probable that its tax treatments will be accepted by the taxation authorities. The Appendix did not have an impact on the financial statements of the Company.

## Annual Improvements to Ind AS

### Ind AS 12 Income Taxes

The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognises the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where it originally recognised those past transactions or events.

An entity applies the amendments for annual reporting periods beginning on or after January 1, 2020. Since the Company's current practice is in line with these amendments, they have no impact on the financial statements of the Company.



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

## 4 PROPERTY, PLANT AND EQUIPMENT, OTHER INTANGIBLE ASSETS AND CAPITAL WORK IN PROGRESS:

(₹ in Million)

	Property, Plant and Equipments							Other Intangible Assets			
	Land- Freehold	Buildings	Plant and Equipment	Furniture and Fixtures	Vehicles	Office Equipments	Computers	Total Property, Plant and Equipments	Computer Software	Total Intangible assets	Capital work in progress
Cost											
As at January 1, 2019	0.47	94.39	219.01	12.48	5.99	14.27	14.65	361.26	7.17	7.17	4.45
Additions	-	1.11	7.92	-	-	1.74	2.02	12.79	0.10	0.10	54.18
Deletions	-	-	1.07	-	1.15	0.64	0.10	2.96	-	-	12.89
As at December 31, 2019	0.47	95.50	225.86	12.48	4.84	15.37	16.57	371.09	7.27	7.27	45.74
Additions	-	1.38	77.30	1.68	-	1.41	1.81	83.58	-	-	37.84
Deletions	-	-	3.41	-	-	0.97	0.88	5.26	-	-	83.58
As at December 31, 2020	0.47	96.88	299.75	14.16	4.84	15.81	17.50	449.41	7.27	7.27	-
Depreciation and Amortisation											
As at January 1, 2019	-	7.56	50.86	2.41	0.91	3.90	6.05	71.69	4.26	4.26	-
Charge for the year	-	4.13	30.11	1.07	0.71	2.86	3.42	42.30	1.80	1.80	-
On Deletions	-	-	0.68	-	0.14	0.38	0.06	1.26	-	-	-
As at December 31, 2019	-	11.69	80.29	3.48	1.48	6.38	9.41	112.73	6.06	6.06	-
Charge for the year	-	4.10	32.32	1.12	0.66	2.99	3.15	44.34	1.00	1.00	-
On Deletions	-	-	2.64	-	-	0.53	0.77	3.94	-	-	-
As at December 31, 2020	-	15.79	109.97	4.60	2.14	8.84	11.79	153.13	7.06	7.06	-
Net Book Value											
As at December 31, 2020	0.47	81.09	189.78	9.56	2.70	6.97	5.71	296.28	0.21	0.21	-
As at December 31, 2019	0.47	83.81	145.57	9.00	3.36	8.99	7.16	258.36	1.21	1.21	45.74

### Notes:

- (1) Freehold Land includes ₹ 10,000/- being face value of 100 shares of Gujarat Vepari Mahamandal Sahakari Audhyogik Vasahat Ltd.
- (2) The Company has elected to continue with the carrying value for all of its Property, plant and equipments as recognised in its previous GAAP (Indian accounting principle generally accepted in India as prescribed under section 133 of the Companies Act, 2013 read with the Companies (Accounts) Rules, 2014), as deemed cost at the transition date i.e. January 1, 2016 as per option permitted under Ind AS 101 for the first time adoption.

### (3) Carrying value of property, plant and equipment given on operating lease on temporary basis are as follows :

(₹ in Million)

Description of assets	Buildings
<b>Carrying amount:</b>	
As at December 31, 2019	3.38
As at December 31, 2020	3.20

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

## 5 INVESTMENTS - NON-CURRENT

(₹ in Million)

	As at December 31, 2020	As at December 31, 2019
<b>Investments in equity instruments (quoted, fair value through OCI) (refer note below and note 36)</b>		
173,107 (December 31, 2019 : 173,107) equity shares of ₹ 1/- each fully paid of Jaysynth Dyestuff (India) Ltd.	8.36	7.01
<b>Investments in equity instruments (unquoted, valued at cost) \$</b>		
30 Shares (December 31, 2019 : 30) of ₹ 100/- each fully paid of Gujarat Vepari Mahamandal Sahakari Audhyogik Vasahat Ltd.	-	-
<b>Total</b>	<b>8.36</b>	<b>7.01</b>
<b>Details of quoted/unquoted investments:</b>		
(a) Aggregate amount of quoted investments and market value thereof;		
Purchase Cost	13.69	13.69
Market Value	8.36	7.01
(b) Aggregate amount of unquoted investments;		
Purchase Cost	-	-
(c) Aggregate amount of impairment in value of investments	5.33	6.68

### Note:

This investment is in nature of long term trade investments hence, Company has opted to account for fair value gains / losses through Other Comprehensive Income (OCI).

\$ Figure shown as nil due to conversion to ₹ in million.

## 6 INVENTORIES

(₹ in Million)

	As at December 31, 2020	As at December 31, 2019
Raw Materials (refer note 1 below) [Includes Goods-in-transit ₹ 2.06 million (December 31, 2019: ₹ 67.11 million)]	132.99	153.18
Work -in-process	28.20	12.24
Finished goods	132.69	137.92
Stock-in-trade	7.56	18.01
Stores, spares and tools	9.39	10.25
<b>Total</b>	<b>310.83</b>	<b>331.60</b>

### Notes:

1 Raw materials include inventories lying with third parties of ₹ 2.52 million (December 31, 2019: ₹ 2.60 million).

## 7 TRADE RECEIVABLES

(₹ in Million)

	As at December 31, 2020	As at December 31, 2019
Trade Receivables considered good - Unsecured	227.76	294.91
Trade Receivables which have significant increase in credit risk	22.61	21.24
Trade Receivables - credit impaired	4.78	3.16
<b>Total - A</b>	<b>255.15</b>	<b>319.31</b>
<b>Expected credit allowance (allowance for bad and doubtful debts)</b>		
Trade Receivables which have significant increase in credit risk	4.88	1.73
Trade Receivables - credit impaired	4.78	3.16
<b>Total - B</b>	<b>9.66</b>	<b>4.89</b>
<b>Total - (A+B)</b>	<b>245.49</b>	<b>314.42</b>

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

## Notes:

- 1 The Company has used a practical expedient by computing the expected credit loss allowance for trade receivables based on a provision matrix. The provision matrix takes into account historical credit loss experience and adjusted for forward-looking information. The expected credit loss allowance is based on ageing of the days the receivables are over/past due. Below is the age of trade receivables as at reporting date:

(₹ in Million)

Age of Trade receivables	Year ended December 31, 2020	Year ended December 31, 2019
Within the credit period	204.48	244.52
1 - 30 days past due	22.01	47.02
31 - 120 days past due	14.70	17.37
121 - 365 days past due	7.79	6.55
More than 365 days past due	6.17	3.85
<b>Total</b>	<b>255.15</b>	<b>319.31</b>

Below is the movement of expected credit loss allowance:

(₹ in Million)

	Year ended December 31, 2020	Year ended December 31, 2019
Opening balance	4.89	5.35
Additions during the year	5.58	3.57
Reversals during the year	0.81	4.03
<b>Closing balance</b>	<b>9.66</b>	<b>4.89</b>

- 2 No trade receivables are due from directors or other officers of the Company or any of them either severally or jointly with any other person. Further, no trade receivables are due from firms or private companies in which any director is a partner, a director or a member, other than dues from related parties disclosed as mentioned in note 31.
- 3 For terms and conditions relating to related party receivables, refer note 31. Trade receivables are non-interest bearing and are generally on terms of 30 to 120 days.

## 8 CASH AND BANK BALANCE

(₹ in Million)

	As at December 31, 2020	As at December 31, 2019
<b>Cash and cash equivalents</b>		
Cash on hand	0.20	0.31
Cheques on hand	-	0.76
<b>Balances with banks</b>		
In Current accounts	87.22	97.49
Deposits with original maturity of less than three months	49.00	215.00
<b>Total</b>	<b>136.42</b>	<b>313.56</b>
<b>Bank balance other than cash and cash equivalents</b>		
Deposits with original maturity of more than three months	698.00	443.13
Margin money deposit	24.55	9.65
Unpaid dividend accounts	9.74	8.86
<b>Total</b>	<b>732.29</b>	<b>461.64</b>

## Notes :

- 1 Short-term deposits are made for varying periods of between one week and one year, depending on the immediate cash requirements of the Company, and earn interest at the respective short-term deposit rates.
- 2 Margin money deposits are marked as lien against the outstanding bank guarantees.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

## 9 OTHER FINANCIAL ASSETS (UNSECURED AND CONSIDERED GOOD)

(₹ in Million)

	As at December 31, 2020	As at December 31, 2019
<b>Non-current</b>		
Sundry deposits	7.53	7.53
<b>Total - A</b>	<b>7.53</b>	<b>7.53</b>
<b>Current</b>		
Interest receivable on deposits	3.23	2.55
Sundry deposits	0.26	0.53
Export incentive receivables	18.93	10.66
<b>Total - B</b>	<b>22.42</b>	<b>13.74</b>
<b>Total (A+B)</b>	<b>29.95</b>	<b>21.27</b>

**Note :** The fair value of non-current financial assets is not materially different from the carrying value presented.

## 10 OTHER ASSETS (UNSECURED AND CONSIDERED GOOD)

(₹ in Million)

	As at December 31, 2020	As at December 31, 2019
<b>Non-Current</b>		
Capital advances	-	0.54
Tax paid under protest (refer note 30)	5.53	5.91
Income-tax receivables (net of provision for taxation)	23.31	9.25
<b>Total - A</b>	<b>28.84</b>	<b>15.70</b>
<b>Current</b>		
Advances for goods and services	8.39	4.92
Prepaid expenses	3.64	2.73
Balances with government authorities	-	2.49
<b>Total - B</b>	<b>12.03</b>	<b>10.14</b>
<b>Total (A+B)</b>	<b>40.87</b>	<b>25.84</b>

## 11 EQUITY SHARE CAPITAL

(₹ in Million)

	As at December 31, 2020	As at December 31, 2019
<b>Authorised share capital:</b>		
2,900,000 (December 31, 2019 : 2,900,000) Equity Shares of ₹ 10/- each	29.00	29.00
10,000 (December 31, 2019 : 10,000) Preference Shares of ₹ 100/- each	1.00	1.00
<b>Total</b>	<b>30.00</b>	<b>30.00</b>
<b>Issued, Subscribed and fully Paid-up share capital:</b>		
2,088,016 (December 31, 2019 : 2,088,016) Equity Shares of ₹ 10/- each fully paid-up	20.88	20.88
<b>Total</b>	<b>20.88</b>	<b>20.88</b>

### a) Reconciliation of the shares outstanding at the beginning and at the end of the reporting year:

Equity Share capital	As at December 31, 2020		As at December 31, 2019	
	No. of Shares	(₹ in Million)	No. of Shares	(₹ in Million)
At the beginning of the year	20,88,016	20.88	20,88,016	20.88
Add: Issued during the year	-	-	-	-
<b>Outstanding at the end of the year</b>	<b>20,88,016</b>	<b>20.88</b>	<b>20,88,016</b>	<b>20.88</b>

### b) Terms/rights attached to equity shares:

The Company has only one class of equity shares having a par value of ₹ 10 per share. Each holder of equity shares is entitled to one vote per share held.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

In the event of liquidation of the Company, the holders of equity shares shall be entitled to receive the residual assets of the Company, after distribution of all preferential amounts. The amount distributed will be in proportion to the number of equity shares held by the shareholders.

## c) Shares held by Holding Company

Out of equity shares issued by the company, shares held by its holding company, ultimate holding company and their subsidiaries/ associates are as mentioned below:

(₹ in Million)

	As at December 31, 2020	As at December 31, 2019
SPGPrints B.V., Netherlands, the Holding Company.		
1,483,777 (December 31, 2019 : 1,483,777) equity shares	14.84	14.84

## d) Details of equity shares held by shareholders holding more than 5% shares of the aggregate shares in the Company

	As at December 31, 2020		As at December 31, 2019	
	No. of Shares	% holding	No. of Shares	% holding
Equity shares of ₹ 10/- each fully paid				
SPGPrints B.V., Netherlands	14,83,777	71.06%	14,83,777	71.06%

As per records of the company, including its register of shareholders/members and other declarations received from shareholders regarding beneficial interest, the above shareholding represents both legal and beneficial ownerships of shares.

## 12 OTHER EQUITY

(₹ in Million)

	As at December 31, 2020	As at December 31, 2019
<b>a. Capital Reserve</b>		
Balance at the beginning of the year	0.35	0.35
<b>Balance at the end of the year Total - A</b>	<b>0.35</b>	<b>0.35</b>
<b>b. Capital Reserve on account of business combination (refer note (i) below)</b>		
Balance at the beginning of the year	(190.26)	(190.26)
<b>Balance at the end of the year Total - B</b>	<b>(190.26)</b>	<b>(190.26)</b>
<b>c. Capital Redemption Reserve (refer note (ii) below)</b>		
Balance at the beginning of the year	0.35	0.35
<b>Balance at the end of the year Total - C</b>	<b>0.35</b>	<b>0.35</b>
<b>d. Securities Premium (refer note (iii) below)</b>		
Balance at the beginning of the year	79.62	79.62
<b>Balance at the end of the year Total - D</b>	<b>79.62</b>	<b>79.62</b>
<b>e. General Reserve (refer note (iv) below)</b>		
Balance at the beginning of the year	181.95	181.95
<b>Balance at the end of the year Total - E</b>	<b>181.95</b>	<b>181.95</b>
<b>f. Retained Earnings (refer note (v) below)</b>		
Balance at the beginning of the year	1,259.70	1,122.62
Profit for the year	134.63	279.37
Effect on account of adoption of Ind AS 115 from January 1, 2019 (Refer Note (vi) below)	-	(0.69)
Final dividend	(125.29)	(114.84)
Tax on final dividend	-	(23.61)
Remeasurement gains / (losses) on defined benefit plans (net of tax)	(1.89)	(3.15)
<b>Balance at the end of the year Total - F</b>	<b>1,267.15</b>	<b>1,259.70</b>
<b>g. Equity instrument through other comprehensive income (refer note (vii))</b>		
Balance at the beginning of the year	(5.17)	(2.12)
Change in fair value of investments measured at FVTOCI (net of tax)	(0.32)	(3.05)
<b>Balance at the end of the year Total - G</b>	<b>(5.49)</b>	<b>(5.17)</b>
<b>Total (A+B+C+D+E+F+G)</b>	<b>1,333.67</b>	<b>1,326.54</b>



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

## 12 OTHER EQUITY (Contd...)

### Notes :

- (i) Capital Reserve is created on account of business combination transaction between the Company and SPGPrints B.V.
- (ii) Capital Redemption Reserve created on redemption of Redeemable Preference shares. The reserve can be utilised in accordance with the provisions of the Companies Act, 2013.
- (iii) Securities Premium represents the premium received on issue of shares over and above the face value of equity shares. The reserve is available for utilisation in accordance with the provisions of the Companies Act, 2013.
- (iv) General Reserve is used from time to time to transfer profits from retained earnings for appropriation purposes. As the general reserve is created by a transfer from one component of equity to another and is not an item of other comprehensive income, items included in the general reserve will not be reclassified subsequently to profit or loss.
- (v) Retained Earnings can be distributed by the Company as dividend to its equity shareholders and the same is determined based on the financial statements of the Company and also considering the requirements of the Companies Act, 2013. Thus, the amounts reported above are not distributable in entirety.
- (vi) The Company had adopted new standard on revenue recognition Ind AS 115 "Revenue from Contracts with customers", which was effective from January 1, 2019. The standard had been adopted using the modified retrospective approach, the impact of which had been accounted in retained earnings as at January 1, 2019.
- (vii) This reserve represents the cumulative gains and losses arising on revaluation of equity instruments measured at fair value through other comprehensive income.

## 13 TRADE PAYABLES

(₹ in Million)

	As at December 31, 2020	As at December 31, 2019
<b>Trade Payables</b>		
- Outstanding dues of micro enterprises and small enterprises (refer note below)	1.04	2.72
- Outstanding dues of creditors other than micro enterprises and small enterprises	200.66	212.30
<b>Total</b>	<b>201.70</b>	<b>215.02</b>

### Note:

- 1 Trade payables are non-interest bearing and are normally settled on 45 to 90 days term.
- 2 For terms and conditions with related parties, refer note 31.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

## 13 TRADE PAYABLES (Contd...)

- 3 The disclosure in accordance with Section 22 of the Micro, Small and Medium Enterprises Development Act, 2006 (MSMED Act):

(₹ in Million)

	Year ended December 31, 2020	Year ended December 31, 2019
a) Amount due to suppliers registered under MSMED Act and remaining unpaid as at the year end towards:		
- Principal	0.15	1.83
- Interest	0.89	0.89
b) The amount of interest paid by the buyer in terms of Section 16, of the Micro, Small and Medium Enterprise Development Act, 2006 along with the amounts of the payment made to the supplier beyond the appointed day during each accounting year;	-	0.11
c) The amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under Micro, Small and Medium Enterprise Development Act, 2006;	-	-
d) The amount of interest accrued and remaining unpaid at the end of each accounting year;	0.89	0.89
e) The amount of further 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 enterprise for the purpose of disallowance as a deductible expenditure under section 23 of the Micro, Small and Medium Enterprise Development Act, 2006.	-	-

The information with respect to Micro, Small and Medium Enterprises, has been determined to the extent such parties have been identified on the basis of information available with the Company. This has been relied upon by the auditors.

## 14 OTHER CURRENT FINANCIAL LIABILITIES

(₹ in Million)

	As at December 31, 2020	As at December 31, 2019
Deposits payable	4.03	0.70
Payable for capital expenditure	2.04	5.76
Employee benefits payable	38.50	43.02
Unpaid dividend (refer note 1 below)	9.74	8.86
<b>Total</b>	<b>54.31</b>	<b>58.34</b>

### Notes:

- 1 There is no amount due and outstanding as at December 31, 2020 to be credited to Investor Education and Protection Fund.

## 15 OTHER CURRENT LIABILITIES

(₹ in Million)

	As at December 31, 2020	As at December 31, 2019
Contract Liabilities - Advance from customers (refer note 32)	124.22	75.54
Contract Liabilities - Deferred Revenue (refer note 32)	5.62	5.03
Statutory dues	8.13	16.05
<b>Total</b>	<b>137.97</b>	<b>96.62</b>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

## 16 PROVISIONS

(₹ in Million)

	As at December 31, 2020	As at December 31, 2019
<b>Employee Benefits</b>		
Provision for compensated absences (refer note 28)	21.12	16.92
<b>Total - A</b>	<b>21.12</b>	<b>16.92</b>
<b>Current</b>		
<b>Employee Benefits</b>		
Provision for Gratuity (refer note 28)	1.25	3.63
Provision for Compensated absences (refer note 28)	2.69	3.42
Provision for warranty (refer note 2 below)	9.56	11.15
Provision others (refer note 1 below)	21.59	19.70
<b>Total - B</b>	<b>35.09</b>	<b>37.90</b>
<b>Total (A+B)</b>	<b>56.21</b>	<b>54.82</b>

### Note :

- The Company provides installation/ upgradation services to the customers of SPG Prints Austria GMBH in India for which the invoices are raised on SPG Prints Austria GMBH. Till date the Company was not charging GST on such invoices considering it to be exempt on account of export of services. However, as there is ambiguity on whether the above transactions fall within definition of export of services, the Company has preferred to apply for Advance Ruling with tax authorities. Pending decision of Advance Ruling, the Company had made provision of ₹ 11.87 million (December 31, 2019: ₹ 6.89 million) for the same as at December 31, 2020. Against above provision, the company has recorded ₹ 1.92 million as at December 31, 2020 recoverable from SPG Print Austria GMBH basis of arrangement with them.
  - The Company follows provisioning policy of pending Sales tax C Forms and accordingly an amount of ₹ 0.33 million (December 31, 2019 ₹ 1.44 million) is provided.
  - The Company has made provision for disputed Labour matters for ₹ 4.89 million (December 31, 2019: ₹ 4.89 million) for claim filed by employees for claiming Voluntary Retirement Scheme (VRS) benefit in earlier years.
  - The Company has made provision for disputed excise and service tax matters for ₹ 3.58 million (December 31, 2019: ₹ 6.49 million), against which payment of ₹ 3.58 million (December 31, 2019: ₹ 3.58 million) is made under protest (refer note 10).
- A provision is recognised for expected warranty claims on products sold during the year, based on past experience, current sales level as well as information for best possible estimate available on returns.

(₹ in Million)

	Year ended December 31, 2020	
	Other Provisions	Warranty
<b>Balance at the beginning of the year</b>	<b>19.70</b>	<b>11.15</b>
Additions during the year	6.21	8.20
Reversals during the year	4.32	8.75
Utilisations during the year	-	1.04
<b>Balance at the end of the year</b>	<b>21.59</b>	<b>9.56</b>

## 17 CURRENT TAX LIABILITIES (NET)

(₹ in Million)

	As at December 31, 2020	As at December 31, 2019
Current tax liabilities (Net off Advance tax and TDS is ₹ 36.94 million (December 31, 2019: ₹ 59.86 million))	1.14	9.40
<b>Total</b>	<b>1.14</b>	<b>9.40</b>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

## 18 REVENUE FROM OPERATIONS

(₹ in Million)

	Year Ended December 31, 2020	Year Ended December 31, 2019
<b>Revenue from contract with customers (refer note 32)</b>		
Sale of goods	1,293.77	1,684.40
Sales of traded goods	30.97	71.86
Sale of services	33.17	34.75
<b>Total A</b>	<b>1,357.91</b>	<b>1,791.01</b>
<b>Other operating income</b>		
Commission income	14.34	10.06
Sale of manufacturing scrap	118.40	128.37
Export incentives	10.52	13.03
<b>Total B</b>	<b>143.26</b>	<b>151.46</b>
<b>Total (A + B)</b>	<b>1,501.17</b>	<b>1,942.47</b>

## 19 OTHER INCOME

(₹ in Million)

	Year Ended December 31, 2020	Year Ended December 31, 2019
<b>Interest Income on:</b>		
Bank deposits	37.28	42.10
Others	0.30	0.11
Liabilities no longer required written back	6.03	1.02
Provision for doubtful receivables written back (Net)	-	0.46
Provision for warranty (net) (refer note 16)	0.55	-
Lease rentals (refer note 29)	4.89	4.45
Net gain on foreign currency transactions	0.04	0.17
Insurance claims received	1.13	2.86
Miscellaneous income	1.46	3.68
<b>Total</b>	<b>51.68</b>	<b>54.85</b>

## 20 COST OF RAW MATERIAL CONSUMED

(₹ in Million)

	Year Ended December 31, 2020	Year Ended December 31, 2019
Inventory at the beginning of the year	154.25	108.31
Add: Purchases during the year	760.80	982.67
	<b>915.05</b>	<b>1,090.98</b>
Less: Inventory at the end of the year	132.99	154.25
<b>Cost of raw material consumed*</b>	<b>782.06</b>	<b>936.73</b>

\* Cost of raw material consumed includes primary packing material consumed of ₹ 1.78 million (December 31, 2019: ₹ 1.07 million).

## 21 PURCHASE OF STOCK-IN-TRADE

(₹ in Million)

	Year Ended December 31, 2020	Year Ended December 31, 2019
<b>Purchase of :</b>		
Perforated rotary screens	16.73	56.27
Others	1.30	4.22
<b>Total</b>	<b>18.03</b>	<b>60.49</b>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

## 22 CHANGES IN INVENTORIES OF FINISHED GOODS, WORK-IN-PROGRESS AND STOCK-IN-TRADE (₹ in Million)

	Year Ended December 31, 2020	Year Ended December 31, 2019
<b>Opening Stock</b>		
- Work-in-process	12.24	19.18
- Finished goods	137.92	90.26
- Stock-in-trade	18.01	16.86
<b>Total-A</b>	<b>168.17</b>	<b>126.30</b>
<b>Closing Stock</b>		
- Work-in-process	28.20	12.24
- Finished goods	132.69	137.92
- Stock-in-trade	7.56	18.01
<b>Total-B</b>	<b>168.45</b>	<b>168.17</b>
<b>Total (A-B)</b>	<b>(0.28)</b>	<b>(41.87)</b>

## 23 EMPLOYEE BENEFITS EXPENSE (₹ in Million)

	Year Ended December 31, 2020	Year Ended December 31, 2019
Salaries, wages and bonus	179.80	174.89
Contribution to provident and other funds	7.83	7.49
Gratuity expenses (refer note 28)	2.97	2.39
Staff welfare expense	11.61	14.67
<b>Total</b>	<b>202.21</b>	<b>199.44</b>

## 24 FINANCE COSTS (₹ in Million)

	Year Ended December 31, 2020	Year Ended December 31, 2019
Other borrowing cost	0.44	0.65
<b>Total</b>	<b>0.44</b>	<b>0.65</b>

## 25 OTHER EXPENSES (₹ in Million)

	Year Ended December 31, 2020	Year Ended December 31, 2019
Consumption of packing materials	7.79	9.36
Consumption of stores and spares	10.41	13.88
Power and fuel	117.20	148.03
Rent	-	0.16
Rates and taxes	5.49	11.91
<b>Repairs and maintenance</b>		
- Buildings	5.37	5.33
- Plant and Equipment	6.21	7.12
- Others	5.06	4.39
Insurance	3.47	2.21
Legal and professional fees	6.35	8.58
Travelling and conveyance	4.26	11.97
<b>Auditors' Remuneration:</b>		
- Statutory audit fees	2.10	2.80
- Tax audit fees	0.50	0.40
- Others	0.60	0.58
- Out - of - pocket expenses	0.01	-
Royalty (refer note 31)	20.18	26.99
Provision for doubtful receivables (net) (refer note 7)	4.77	-



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

## 25 OTHER EXPENSES (Contd...)

(₹ in Million)

	Year Ended December 31, 2020	Year Ended December 31, 2019
Provision for warranty (net)	-	1.74
Commission / service charges	13.74	19.73
Sales promotion expenses	1.12	35.78
Directors' Commission and sitting fees (refer note 31)	2.66	3.24
Freight and forwarding charges	11.34	14.18
Group management fees (refer note 31)	68.89	51.90
Loss on sale of property, plant and equipment (net)	1.04	0.24
Contribution towards corporate social responsibility activities (refer note 40)	8.77	8.60
Other miscellaneous expenses	26.10	36.50
<b>Total</b>	<b>333.43</b>	<b>425.62</b>

## 26 INCOME TAX EXPENSES

The major component of income tax expenses for the year ended December 31, 2020 and December 31, 2019 are as under:

### a Expenses recognised in statement of profit and loss

(₹ in Million)

	Year Ended December 31, 2020	Year Ended December 31, 2019
<b>Current tax</b>		
Current tax charges	40.44	96.21
Adjustment of income tax related to earlier years (net)	1.81	0.03
<b>Total-A</b>	<b>42.25</b>	<b>96.24</b>
<b>Deferred tax</b>		
Deferred tax credit	(5.26)	(3.45)
<b>Total deferred tax credit Total-B</b>	<b>(5.26)</b>	<b>(3.45)</b>
<b>Tax expense reported in the Statement of Profit and Loss Total (A+B)</b>	<b>36.99</b>	<b>92.79</b>
<b>Expenses recognised in Other Comprehensive income ('OCI')</b>		
Tax on remeasurements of (loss) on the defined benefit plans	(0.63)	(1.06)
Tax on fair valuation on equity instruments through OCI	1.67	(1.02)
<b>Total</b>	<b>1.04</b>	<b>(2.08)</b>

### b A Reconciliation of tax expense and the accounting profit multiplied by India's domestic tax rate:

(₹ in Million)

	Year Ended December 31, 2020	Year Ended December 31, 2019
<b>Accounting profit before tax</b>	<b>171.62</b>	<b>372.16</b>
Statutory Income tax rate (in %)	25.17	25.17
Expected Income tax expenses	43.20	93.67
<b>Tax effect of adjustments to reconcile expected income tax expenses to reported income tax expenses</b>		
Non-deductible expenses	0.47	3.45
Income tax related to prior years	1.81	0.03
Income not chargeable to tax	-	(0.08)
Expenses allowable only under income tax (on account of common control business combination transaction between the Company and SPGPrints B.V.)	(8.49)	(7.83)
Effect of change in tax rate	-	3.55
<b>Income tax expenses as per normal tax rate</b>	<b>36.99</b>	<b>92.79</b>
<b>Consequent to reconciliation items shown above, the effective tax rate (in %)</b>	<b>21.55%</b>	<b>24.93%</b>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

## c Deferred tax:

The movement in deferred tax (assets) / liabilities during the year ended December 31, 2020 and December 31, 2019 are given below:

(₹ in Million)

	Opening balance as at January 1, 2020	Deferred tax charge / (credit) recognised in P&L	Deferred tax charge / (credit) recognised in OCI	Closing balance at December 31, 2020
Property, plant and equipment	(15.88)	1.25	-	(14.63)
Impairment allowance (Including expected credit loss allowance)	1.23	1.21	-	2.43
Provision for contingency and inventory obsolescence	4.56	4.05	-	8.61
Remeasurement gains / (losses) on defined benefit plans	0.92	(1.23)	0.63	0.32
Change in fair value of investments measured at FVTOCI	1.68	(0.01)	(1.67)	-
Other timing differences allowable on payment basis	8.46	(0.01)	-	8.45
<b>Total Deferred tax assets (net)</b>	<b>0.97</b>	<b>5.26</b>	<b>(1.04)</b>	<b>5.18</b>

(₹ in Million)

	Opening balance as at January 1, 2019	Deferred tax charge / (credit) recognised in P&L	Deferred tax charge / (credit) recognised in OCI	Closing balance at December 31, 2019
Property, plant and equipment	(20.69)	4.81	-	(15.88)
Impairment allowance (Including expected credit loss allowance)	1.56	(0.33)	-	1.23
Provision for contingency and inventory obsolescence	4.16	0.40	-	4.56
Remeasurement gains / (losses) on defined benefit plans	0.60	(0.74)	1.06	0.92
Change in fair value of investments measured at FVTOCI	0.76	(0.10)	1.02	1.68
Other timing differences allowable on payment basis	9.05	(0.59)	-	8.46
<b>Total Deferred tax (liabilities) / assets (net)</b>	<b>(4.56)</b>	<b>3.45</b>	<b>2.08</b>	<b>0.97</b>

## 27 EARNINGS PER SHARE

(₹ in Million)

	Year Ended December 31, 2020	Year Ended December 31, 2019
Profit for the year attributable to equity shareholders	134.63	279.37
Weighted average number of equity shares (Nos.)	20,88,016	20,88,016
Nominal value of an equity share	10	10
Basic and Diluted earnings per share (in ₹)	64.48	133.80

## 28 DISCLOSURES AS REQUIRED BY IND AS - 19 EMPLOYEE BENEFITS:

### (a) Defined Contribution Plan :

The Company operates defined contribution plans in the form of provident and other funds. The Company has no obligation, other than the contribution payable to the provident and other funds. The Company recognizes contribution payable to the provident and other funds as an expense, when an employee renders the related service.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

The amount recognised as an expense for defined contribution plans is as under: (₹ in Million)

	Year Ended December 31, 2020	Year Ended December 31, 2019
<b>Employer's contribution to</b>		
- Provident Fund	7.14	6.68
- ESI	0.68	0.80
- Others	0.01	0.01
	<b>7.83</b>	<b>7.49</b>

**(b) Defined Benefit Plans :**

The Company operates a defined benefit plan (the Gratuity plan) covering eligible employees, which provides a lump sum payment to vested employees at retirement, death, incapacitation or termination of employment, of an amount based on the respective employee's salary and the tenure of employment. The scheme is funded with the Life Insurance Corporation of India in form of a Group Gratuity Policy. The gratuity plan is governed by the Payment of Gratuity Act, 1972. Under the act, employee who has completed five years of service is entitled to specific benefit. The level of benefits provided depends on the member's length of service and salary at retirement age.

The following tables summarise the components of net benefit expense recognised in the statement of profit and loss and the funded status and amounts recognised in the balance sheet for the gratuity plan.

**i. Cost charged to statement of profit and loss** (₹ in Million)

	Year Ended December 31, 2020	Year Ended December 31, 2019
Current service cost	2.71	2.23
Interest Cost	0.26	0.16
<b>Sub-total included in statement of profit and loss</b>	<b>2.97</b>	<b>2.39</b>
<b>Remeasurement (gains) / losses in other comprehensive income</b>		
Actuarial loss	2.39	4.12
Return on plan assets, excluding amount recognised in interest income	0.13	0.09
<b>Sub-total included in Other Comprehensive Income</b>	<b>2.52</b>	<b>4.21</b>

**ii. Reconciliation of opening and closing balances of defined benefit obligation** (₹ in Million)

	As at December 31, 2020	As at December 31, 2019
Present value of defined benefit obligations at the beginning of the year	22.13	19.31
Current service cost	2.71	2.23
Interest income / expense	1.60	1.50
Benefit paid	(3.87)	(5.03)
<b>Re-measurement or actuarial (gain) / loss arising from:</b>		
Change in demographic assumptions	0.21	-
Change in financial assumptions	1.95	0.98
Experience variance (i.e. actual experience vs assumptions)	0.23	3.14
<b>Present Value of Defined Benefit Obligations at the end of the year</b>	<b>24.96</b>	<b>22.13</b>

**iii. Reconciliation of opening and closing balances of the fair value of plan assets** (₹ in Million)

	As at December 31, 2020	As at December 31, 2019
Fair value of plan assets at the beginning of the year	18.50	17.26
Interest income	1.34	1.33
Expected return on plan assets, excluding interest income	(0.13)	(0.09)
Employer's contribution	4.00	-
<b>Fair value of plan assets at the end of the year</b>	<b>23.71</b>	<b>18.50</b>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

## iv. Reconciliation of the present value of defined benefit obligation and Fair value of plan assets

(₹ in Million)

	As at December 31, 2020	As at December 31, 2019
Present value of defined benefit obligations at the end of the year	24.96	22.13
Fair value of plan assets at the end of the year	23.71	18.50
<b>Net defined (liability) recognized in Balance Sheet as at the end of the year</b>	<b>(1.25)</b>	<b>(3.63)</b>
Current	1.25	3.63
Non-current	-	-

## v. The principal assumptions used in determining gratuity benefit obligations for the Company's plans are shown below:

	Year Ended December 31, 2020	Year Ended December 31, 2019
Discount Rate (per annum)	6.56%	7.24%
Annual Increase in Salary Cost	10.00% p.a. for two years 7.00% p.a. thereafter	10.00% p.a. for two years 7.00% p.a. thereafter
Rate of Employee Turnover	For all service groups 3.00% p.a.	For service 5 years and below 5.00% p.a. For service 5 years and above 1.00% p.a.
Mortality Rates	Indian Assured Lives Mortality (2006-08)	Indian Assured Lives Mortality (2006-08)

The estimates of future salary increases, considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market.

## vi. Sensitivity Analysis

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. The sensitivity analysis may not be representative of an actual change in the defined benefit obligation as it is unlikely that changes in assumptions would occur in isolation from one another. The results of sensitivity analysis is given below:

(₹ in Million)

	Sensitivity level	Year Ended December 31, 2020	Year Ended December 31, 2019
Discount Rate (- / + 1%)	Increase	(2.79)	(2.52)
(% change compared to base due to sensitivity)	Decrease	3.38	3.11
Salary Growth Rate (- / + 1%)	Increase	3.32	1.46
(% change compared to base due to sensitivity)	Decrease	(2.79)	(1.33)
Attrition Rate (- / + 1%)	Increase	(0.19)	-
(% change compared to base due to sensitivity)	Decrease	0.21	(0.02)

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

## vii. The major categories of plan assets as a percentage of the fair value of total plan assets are as follows:

	Year Ended December 31, 2020	Year Ended December 31, 2019
Cash accumulation scheme with Life Insurance Corporation of India	94%	93%
Cash and cash equivalents	6%	7%

## viii. Asset Liability Matching Strategies

The Company has purchased insurance policy, which is a year-on-year cash accumulation plan in which the interest rate is declared on yearly basis and is guaranteed for a period of one year. The insurance Company, as part of the policy rules, makes payment of all gratuity outgoes happening during the year (subject to sufficiency of funds under the policy). The policy, thus, mitigates the liquidity risk. However, being a cash accumulation plan, the duration of assets is shorter compared to the duration of liabilities. Thus, the Company is exposed to movement in interest rate (in particular, the significant fall in interest rates, which should result in a increase in liability without corresponding increase in the asset).

## ix. Effect of Plan on Entity's Future Cash Flows

## a) Funding arrangements and Funding Policy

The Company has purchased an insurance policy to provide for payment of gratuity to the employees. Every year, the insurance Company carries out a funding valuation based on the latest employee data provided by the Company. Any deficit in the assets arising as a result of such valuation is funded by the Company.

## b) Maturity Profile of Defined Benefit Obligation

	As at December 31, 2020	As at December 31, 2019
Weighted average duration (based on discounted cash flows)	14 years	15 years

## x. Expected cash flows over the next (valued on undiscounted basis): (₹ in Million)

	As at December 31, 2020	As at December 31, 2019
1st Following Year	1.15	3.72
2nd Following year	0.74	0.25
3rd Following Year	2.19	0.68
4th Following Year	0.81	1.62
5th Following Year	0.85	0.30
Sum of Years 6 to 10	8.06	4.86
Sum of Years 11 and above	55.09	63.91

## xi. The average future duration of the defined benefit plan obligation at the end of the reporting period is 17 years (31 December 2019: 22 years).

## (c) Other long-term employee benefits:

The actuarial liability for compensated absences as at year ended December 31, 2020 is ₹ 23.81 million (Long term provision ₹ 21.12 million and Short term provision ₹ 2.69 million). The same as at year ended December 31, 2019 ₹ 20.34 million (Long term provision ₹ 16.92 million and Short term provision ₹ 3.42 million).

## 29 LEASES

## Operating Lease : As a Lessor

The Company has entered into cancellable lease agreements for granting use of certain area of its building premises for a period of one year. The lease rentals aggregating ₹ 4.89 million (December 31, 2019: ₹ 4.45 million) have been included under the head "Other Income" Note 19 "Lease Rentals" of Statements of Profit and Loss.

## Operating Lease : As a Lessee

The Company has entered into cancellable lease agreements for premises for a period of one year for which the tenor got over on January 31, 2019 and was terminated.



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

## 30 CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS:

### a) Contingent Liabilities not provided for in respect of

(₹ in Million)

	As at December 31, 2020	As at December 31, 2019
Disputed labour matters #	4.00	4.00
Disputed Income tax matters ^	4.30	6.21
Disputed Indirect tax matters*	2.78	1.98
	<b>11.08</b>	<b>12.19</b>

# Disputed Labour matters consist of ₹ 4.00 million (December 31, 2019: ₹ 4.00 million) claim filed by employees for compensation under Voluntary Retirement Scheme (VRS) benefit in earlier years.

^ Disputed Income tax matters include demands from Income tax authorities for payment of additional income taxes of ₹ 4.30 million (December 31, 2019: ₹ 6.21 million) for the assessment years 2007-08 to 2017-18 for matters related to Disallowance of provision for warranty expenditure against which Company has preferred an appeal before appropriate authorities and the company has paid ₹ 0.80 million (December 31, 2019: ₹ Nil) under protest.

\* Disputed Indirect tax matters include sales tax demands raised for not considering carry forward tax credit of earlier years and disallowance of tax credit ₹ 1.69 million (December 31, 2019: ₹ Nil), service tax demands for credit taken on sales commission expense ₹ 1.09 million (December 31, 2019: ₹ 1.09 million) disallowed by tax authorities, against which Company has appealed before appropriate authorities. The Company has paid ₹ 0.73 million (December 31, 2019: ₹ 0.65 million) under protest towards these matters and the Company has also made an application under sabka viswas scheme for some of the matters.

The Company is contesting the above demands and the management, including its tax advisors, believe that its position shall likely be upheld in the appellate process. The management believes that the ultimate outcome of these proceedings will not have a material adverse effect on the Company's financial position and results of operations.

### b) Capital Commitments

Estimated amount of contracts remaining to be executed on capital account and not provided for (Net of Capital Advances) as at December 31, 2020 ₹ Nil (December 31, 2019: ₹ 7.99 million).

## 31 RELATED PARTY DISCLOSURES:

Related party disclosures as required under the Indian Accounting Standard (AS) – 24 on "Related Party Disclosures" are given below:

### A. Parties where control exists:

Name of Related Party	Nature of Relationship
SPGPrints B.V.	Holding Company
SPGPrints Group B.V.	Parent of Holding Company
Print II B.V.	Ultimate Holding Company

### B. Name of the related party with whom transactions have been entered during the year:

Name of Related Party	Nature of Relationship
SPGPrints Printing Systems (Wuxi) Co., Ltd	Fellow subsidiary
SPG Prints Mexico S.A. De C.V	Fellow subsidiary
SPGPrints Austria GMBH	Fellow subsidiary
Shandong Tongda Printing Systems Co. Ltd	Fellow subsidiary
SPGPrints Baski Sistemleri Tic. Ltd. Sti	Fellow subsidiary
SPGPrints Brasil Ltda.	Fellow subsidiary
Spgprints America Inc	Fellow subsidiary
Spgprints Pakistan Pvt Ltd	Fellow subsidiary
Tinctura Colour Private Limited	Fellow subsidiary (w.e.f. June 4, 2020)

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

## 31 RELATED PARTY DISCLOSURES: (Contd...)

## C. Key Management Personnel:

Name of Related Party	Nature of Relationship
Mr. Shailesh Wani	Managing director
Mr. Paras Mehta	Chief financial officer
Mr. Sanjeev Singh Sengar	Company secretary (w.e.f. April 5, 2019)
Mrs. Varsha Adhikari	Company secretary (up to February 1, 2019)

## D. Directors of company:

Name of Related Party	Nature of Relationship
Mr. K M Thanawalla	Independent director
Mr. Marco Wadia	Independent director
Mrs. Kiran Dhingra	Independent director (w.e.f. April 1, 2020)

## E. Transactions with related parties during the year and balance as at year end:

(₹ in Million)

	Parties referred to in (A) above		Parties referred to in (B) above		Parties referred to in (C & D) above	
	Year ended December 31, 2020	Year ended December 31, 2019	Year ended December 31, 2020	Year ended December 31, 2019	Year ended December 31, 2020	Year ended December 31, 2019
SPGPrints B.V.	2.94	23.64	-	-	-	-
Shandong Tongda Printing Systems Co. Ltd	-	-	0.07	-	-	-
SPG Prints Mexico, S.A. de C.V.	-	-	0.91	2.72	-	-
SPGPrints Brasil Ltda	-	-	3.14	4.09	-	-
SPGPrints Printing Systems (Wuxi) Co.,Ltd	-	-	0.60	2.84	-	-
Spgprints America Inc	-	-	7.47	7.58	-	-
Spgprints Pakistan Pvt Ltd	-	-	-	0.11	-	-
SPGPrints Baski Sistemleri Tic. Ltd. Şti.	-	-	38.36	4.55	-	-
<b>Sub - Total</b>	<b>2.94</b>	<b>23.64</b>	<b>50.55</b>	<b>21.89</b>	<b>-</b>	<b>-</b>
<b>Sale of Services</b>						
SPGPrints B.V.	-	0.02	-	-	-	-
Spgprints America Inc	-	-	0.35	0.33	-	-
SPGPrints Austria GMBH	-	-	8.59	12.69	-	-
<b>Sub - Total</b>	<b>-</b>	<b>0.02</b>	<b>8.94</b>	<b>13.02</b>	<b>-</b>	<b>-</b>
<b>Purchase of Raw Material and Components</b>						
SPGPrints B.V.	42.04	103.43	-	-	-	-
SPGPrints Austria GMBH	-	-	1.18	0.11	-	-
SPGPrints Printing Systems Wuxi Co Ltd.	-	-	1.22	1.19	-	-
<b>Sub - Total</b>	<b>42.04</b>	<b>103.43</b>	<b>2.40</b>	<b>1.30</b>	<b>-</b>	<b>-</b>
<b>Purchase of Property, Plant and Equipment</b>						
SPGPrints B.V.	5.58	9.95	-	-	-	-
SPGPrints Austria GMBH	-	-	0.32	-	-	-
<b>Sub - Total</b>	<b>5.58</b>	<b>9.95</b>	<b>0.32</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Expenses Recovered from other companies</b>						
SPGPrints B.V.	0.89	0.96	-	-	-	-
SPGPrints Austria GMBH	-	-	0.90	0.11	-	-
SPGPrints Brasil Ltda	-	-	0.32	-	-	-
Shandong Tongda Printing Systems Co. Ltd*	-	-	-	-	-	-
SPGPrints Baski Sistemleri Tic. Ltd. Şti.	-	-	1.00	-	-	-
SPGPrints Mexico, S.A. de C.V.	-	-	0.28	-	-	-
SPGPrints Printing Systems (Wuxi) Co.,Ltd	-	-	0.14	-	-	-
<b>Sub - Total</b>	<b>0.89</b>	<b>0.96</b>	<b>2.64</b>	<b>0.11</b>	<b>-</b>	<b>-</b>

\* Figure shown as nil due to conversion to ₹ in million.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

(₹ in Million)

	Parties referred to in (A) above		Parties referred to in (B) above		Parties referred to in (C & D) above	
	Year ended December 31, 2020	Year ended December 31, 2019	Year ended December 31, 2020	Year ended December 31, 2019	Year ended December 31, 2020	Year ended December 31, 2019
<b>Remuneration (refer note 1 below)</b>						
Mr. Shailesh C Wani	-	-	-	-	14.56	14.40
Mr. Paras Mehta	-	-	-	-	4.75	4.48
Mr. Sanjeev Singh Sengar	-	-	-	-	2.35	1.77
Mrs. Varsha Adhikari	-	-	-	-	-	0.29
<b>Sub - Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>21.66</b>	<b>20.94</b>
<b>Commission to Independent Directors (refer note 4 below)</b>						
Mr. K M Thanawalla	-	-	-	-	1.49	1.55
Mr. Marco Wadia	-	-	-	-	0.51	0.53
<b>Sub - Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2.00</b>	<b>2.08</b>
<b>Sitting Fees (refer note 4 below)</b>						
Mr. K M Thanawalla	-	-	-	-	0.28	0.59
Mr. Marco Wadia	-	-	-	-	0.27	0.57
Mrs. Kiran Dhingra	-	-	-	-	0.11	-
<b>Sub - Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>0.66</b>	<b>1.16</b>
<b>Purchase of Services</b>						
SPGPrints B.V.	1.03	3.56	-	-	-	-
Spg Prints Brasil Ltda	-	-	1.17	-	-	-
SPGPrints Printing Systems Wuxi Co.,	-	-	0.75	-	-	-
<b>Sub - Total</b>	<b>1.03</b>	<b>3.56</b>	<b>1.92</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Expenses Charged by other companies</b>						
SPGPrints B.V.	5.28	38.00	-	-	-	-
SPGPrints Brasil Ltda	-	-	0.52	-	-	-
<b>Sub - Total</b>	<b>5.28</b>	<b>38.00</b>	<b>0.52</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Group management fees</b>						
SPGPrints B.V.	68.89	51.90	-	-	-	-
<b>Sub - Total</b>	<b>68.89</b>	<b>51.90</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Royalty Expense</b>						
SPGPrints B.V.	20.18	26.99	-	-	-	-
<b>Sub - Total</b>	<b>20.18</b>	<b>26.99</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Dividend Paid</b>						
SPGPrints B.V.	89.00	81.61	-	-	-	-
<b>Sub - Total</b>	<b>89.00</b>	<b>81.61</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Commission Received</b>						
SPGPrints B.V.	-	0.43	-	-	-	-
SPGPrints Austria GMBH	-	-	14.34	9.63	-	-
<b>Sub - Total</b>	<b>-</b>	<b>0.43</b>	<b>14.34</b>	<b>9.63</b>	<b>-</b>	<b>-</b>
<b>Lease Rent Received</b>						
Tinctura Colour Private Limited	-	-	0.39	-	-	-
<b>Sub - Total</b>	<b>-</b>	<b>-</b>	<b>0.39</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Acquisition of Global Spares and Service Business</b>						
SPGPrints B.V.	-	195.71	-	-	-	-
<b>Sub - Total</b>	<b>-</b>	<b>195.71</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

## E. Transactions with related parties during the year and balance as at year end: (Contd...)

(₹ in Million)

	Parties referred to in (A) above		Parties referred to in (B) above		Parties referred to in (C & D) above	
	Year ended December 31, 2020	Year ended December 31, 2019	Year ended December 31, 2020	Year ended December 31, 2019	Year ended December 31, 2020	Year ended December 31, 2019
<b>Balance payable at the year-end</b>						
SPGPrints B.V.	61.30	18.91	-	-	-	-
SPGPrints Printing Systems Wuxi Co Ltd.	-	-	0.31	0.18	-	-
SPGPrints Austria GMBH	-	-	1.50	-	-	-
Remuneration Payable to Shailesh Wani	-	-	-	-	0.20	0.19
Remuneration Payable to Paras Mehta	-	-	-	-	0.17	0.15
Remuneration Payable to Sanjeev Sengar	-	-	-	-	0.11	0.12
<b>Sub - Total</b>	<b>61.30</b>	<b>18.91</b>	<b>1.81</b>	<b>0.18</b>	<b>0.48</b>	<b>0.46</b>
<b>Balance receivable at the year-end</b>						
SPGPrints B.V.	0.63	14.16	-	-	-	-
SPGPrints Baski Sistemleri Tic. Ltd. Şti	-	-	26.15	-	-	-
SPGPrints Austria GMBH	-	-	2.81	3.28	-	-
Shandong Tongda Printing Systems Co. Ltd	-	-	0.07	-	-	-
Spgprints America Inc	-	-	0.15	1.02	-	-
Tinctura Colour Private Limited	-	-	0.03	-	-	-
SPGPrints Printing Systems (Wuxi) Co.,Ltd	-	-	0.17	0.64	-	-
SPGPrints Brasil Ltda	-	-	-	2.31	-	-
Spgprints Mexico S A De C V	-	-	-	0.81	-	-
<b>Sub - Total</b>	<b>0.63</b>	<b>14.16</b>	<b>29.38</b>	<b>8.06</b>	<b>-</b>	<b>-</b>

## Notes:

- (1) The key managerial persons are covered by the Company's gratuity policy along with other employees of the company. The proportionate amount of gratuity pertaining to the Key Managerial Persons has not been included in the aforementioned disclosures as these are not determined on individual basis. Remuneration also includes provision of variable pay provided in the book as at year end.
- (2) Transaction entered into with related party are made on terms equivalent to those that prevail in arm's length transactions. Outstanding balances at the year-end are unsecured and interest free and settlement occurs in cash other than for advance.
- (3) The Company has not provided any commitment to the related party as at December 31, 2020 (December 31, 2019: Nil).
- (4) Commission to independent directors include provision made as at year end.

(₹ in Million)

32 (a) Revenue from contracts with customers	Year Ended December 31, 2020	Year Ended December 31, 2019
Sales of goods	1,293.77	1,684.40
Sales of traded goods	30.97	71.86
Sale of services	33.17	34.75
<b>Total</b>	<b>1,357.91</b>	<b>1,791.01</b>
<b>(b) Revenue from contracts with customers disaggregated based on geography</b>		
India	1,078.34	1,671.34
Outside India	279.57	119.67
<b>Total</b>	<b>1,357.91</b>	<b>1,791.01</b>
<b>(c) Timing of Revenue recognition</b>		
Revenue from goods and services transferred to customers at a point in time	1,357.42	1,790.91
Revenue from services transferred to customers over time	0.49	0.10
<b>Total</b>	<b>1,357.91</b>	<b>1,791.01</b>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

## (d) Contract Balances

(₹ in Million)

	As at December 31, 2020	As at December 31, 2019
<b>i) Trade Receivables</b>		
- Opening Balance	314.42	276.26
- Closing Balance	245.49	314.42
The increase / decrease in trade receivables is mainly due to increase / decrease in sales. Refer note 7 for terms of contract balances.		
<b>ii) Contract Liabilities</b>		
- Opening Balance	80.57	32.55
- Closing Balance	129.84	80.57

Contract liabilities include advance from customers and transaction price allocated to unexpired service obligations.

## (e) The amount of revenue recognized from amounts included in contract liabilities at the beginning of the year

(₹ in Million)

	Year Ended December 31, 2020	Year Ended December 31, 2019
- Revenue recognized from performance obligations satisfied	4.06	1.91
- Revenue recognized from supply of Goods	65.21	26.43

## (f) Performance obligation

### i) Revenue from goods and services:

Performance obligation is satisfied upon delivery of goods and upon completion of services. Payment is generally due within 15 to 120 days after delivery of goods / completion of services.

### ii) Revenue from AMC services:

Performance obligation of revenue from AMC services is satisfied over time.

## (g) Transaction price allocated to remaining performance obligation

(₹ in Million)

	As at December 31, 2020	As at December 31, 2019
(unsatisfied or partially unsatisfied) as at 31 December		
- Within one year	266.05	134.98
- More than one year	-	0.97

## (h) Reconciliation of the amount of Revenue recognised in statement of profit and loss with the contracted price :

(₹ in Million)

	Year Ended December 31, 2020	Year Ended December 31, 2019
Revenue as per Contracted Price	1,369.70	1,812.68
<b>Adjustments</b>		
Deferment of unexpired performance obligation	(11.17)	(13.24)
Volume Discounts	(0.62)	(8.43)
<b>Revenue from contracts with customers</b>	<b>1,357.91</b>	<b>1,791.01</b>

For information about product segments and major customers, refer note 33.



## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

## 33 SEGMENT REPORTING

## A. Basis for segmentation

The chief operational decision maker monitors the operating results of its Business segment separately for the purpose of making decision about resource allocation and performance assessment. Segment performance is evaluated based on profit or loss and is measured consistently with profit or loss in the financial statements. Operating segment have been identified on the basis of nature of products and other quantitative criteria specified in the Ind AS 108.

The Company has determined following reporting segments based on the information reviewed by the Company's CODM.

Name of Segment	Comprises
Textile Consumables and Textile Machinery	Perforated Rotary Screens, Lacquer & Auxiliary Chemicals, Rotary Screen Printing Machine, Engraving Equipment, Components and Spares, Digital Ink
Graphics Product	Anilox Rollers, Rotamash screens and RotaPlate
Galvanic	Galvano consumables

## Segment revenue and results:

The expenses / income which are not directly attributable to any business segment are shown as unallocable expenditure. The assets / liabilities which are not directly attributable to any business segment are shown as unallocable assets / liabilities.

## Segment assets and liabilities:

Segment assets include all operating assets used by the operating segment and mainly consist of property, plant and equipment, trade receivables, Inventory and other operating assets. Segment liabilities primarily include trade payable and other liabilities. Common assets and liabilities which can not be allocated to any of the business segment are shown as unallocable assets / liabilities.

## B. Information about reportable segments

(₹ in Million)

	Year Ended December 31, 2020				
	Textile Consumables and Textile Machinery	Graphics Product	Galvanic	Unallocated	Total
<b>Revenue from Operations</b>					
External sales and services including other operating revenue (net of indirect taxes)	1,159.84	70.76	270.57	-	1,501.17
<b>Total Revenue</b>	<b>1,159.84</b>	<b>70.76</b>	<b>270.57</b>	<b>-</b>	<b>1,501.17</b>
<b>Results</b>					
Segment result	169.45	32.10	47.59	-	249.14
Interest Income net of expense	(0.04)	-	-	37.19	37.15
Unallocated Expenditure net of unallocated income	-	-	-	(114.67)	(114.67)
<b>Profit Before Tax</b>	<b>169.41</b>	<b>32.10</b>	<b>47.59</b>	<b>(77.48)</b>	<b>171.62</b>
Current tax	-	-	-	42.25	42.25
Deferred tax / (credit)	-	-	-	(5.26)	(5.26)
<b>Net Profit for the year</b>	<b>169.41</b>	<b>32.10</b>	<b>47.59</b>	<b>(114.47)</b>	<b>134.63</b>
<b>Other Information</b>					
Segment Assets	746.45	34.07	74.94	950.42	1,805.88
Segment Liabilities	339.95	10.28	4.03	97.07	451.33
Capital Expenditure	32.41	0.52	-	4.91	37.84
Depreciation	33.76	1.57	0.12	9.89	45.34
Non cash items	33.21	0.65	0.12	(25.73)	8.25

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

## 33 SEGMENT REPORTING (Contd...)

### B. Information about reportable segments (Contd...)

(₹ in Million)

	Year Ended December 31, 2019				
	Textile Consumables and Textile Machinery	Graphics Product	Galvanic	Unallocated	Total
<b>Revenue from operations</b>					
External sales and services including other operating revenue (net of indirect taxes)	1,554.88	95.24	292.35	-	1,942.47
<b>Total Revenue</b>	<b>1,554.88</b>	<b>95.24</b>	<b>292.35</b>	<b>-</b>	<b>1,942.47</b>
<b>Results</b>					
Segment result	342.68	45.21	46.55	-	434.44
Interest Income net of expense	(0.64)	-	-	40.81	40.17
Unallocated Expenditure net of unallocated income	-	-	-	(102.45)	(102.45)
<b>Profit before tax</b>	<b>342.04</b>	<b>45.21</b>	<b>46.55</b>	<b>(61.64)</b>	<b>372.16</b>
Current tax	-	-	-	96.24	96.24
Deferred tax / (credit)	-	-	-	(3.45)	(3.45)
<b>Net profit for the year</b>	<b>342.04</b>	<b>45.21</b>	<b>46.55</b>	<b>(154.43)</b>	<b>279.37</b>
<b>Other Information</b>					
Segment assets	822.27	26.68	76.70	855.97	1,781.62
Segment liabilities	338.74	7.68	5.19	82.59	434.20
Capital expenditure	47.37	1.84	-	4.97	54.18
Depreciation	31.56	1.71	0.12	10.71	44.10
Non cash items	33.71	1.78	0.05	(30.89)	4.65

### C. Information about secondary business segments

The Company uses same set of assets for the sales made in the India and outside India. The expenses incurred for sales to be made in India and outside are Common. Accordingly, geographical segment is analysed based on the location of customers. The following provides an analysis of the Company's sales by geographical Markets:

(₹ in Million)

Particulars	Year Ended December 31, 2020			Year Ended December 31, 2019		
	India	Outside India	Total	India	Outside India	Total
Revenue*	1,221.60	279.57	1,501.17	1,822.80	119.67	1,942.47
Non-current operating assets**	296.49	-	296.49	305.85	-	305.85
Capital Expenditure incurred	37.84	-	37.84	54.18	-	54.18

\* Segment revenue is based on location of customers and includes other operating revenue.

\*\* Segment assets based on geographical location of assets. Non-current operating assets exclude Investment, deferred tax assets, tax receivable balances and other non-current financial assets.

The Company derives revenue in excess of 10% from one major customer for the year ended December 31, 2020 i.e. Atul Sugar Screens Private Limited - ₹ 209.79 million (December 31, 2019 ₹ 228.40 million). The same contributes to the Galvanic business segment.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

## 34 DISCLOSURE OF FINANCIAL INSTRUMENTS BY CATEGORY

(₹ in Million)

	As at December 31, 2020			As at December 31, 2019		
	FVTPL*	FVOCI**	Amortized cost	FVTPL*	FVOCI**	Amortized cost
<b>Financial assets</b>						
Investments	-	8.36	-	-	7.01	-
Trade receivables	-	-	245.49	-	-	314.42
Cash and cash equivalents	-	-	136.42	-	-	313.56
Other bank balance	-	-	732.29	-	-	461.64
Other financial assets	-	-	29.95	-	-	21.27
<b>Total Financial Asset</b>	<b>-</b>	<b>8.36</b>	<b>1,144.15</b>	<b>-</b>	<b>7.01</b>	<b>1,110.89</b>
<b>Financial liabilities</b>						
Trade Payables	-	-	201.70	-	-	215.02
Other financial liabilities	-	-	54.31	-	-	58.34
<b>Total Financial Liabilities</b>	<b>-</b>	<b>-</b>	<b>256.01</b>	<b>-</b>	<b>-</b>	<b>273.36</b>

\*FVTPL = Fair value through profit and loss

\*\*FVOCI = Fair value through other comprehensive income

## 35 FAIR VALUE DISCLOSURES FOR FINANCIAL ASSETS AND FINANCIAL LIABILITIES

(₹ in Million)

	As at December 31, 2020		As at December 31, 2019	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial Assets				
Investments	8.36	8.36	7.01	7.01
<b>Total Financial Asset</b>	<b>8.36</b>	<b>8.36</b>	<b>7.01</b>	<b>7.01</b>

The management assessed that the fair value of cash and cash equivalents, other bank balances, trade receivables, other financial assets, trade payables and other financial liabilities approximate their carrying amounts largely due to short term maturities of these instruments.

## 36 FAIR VALUE HIERARCHY

The following table provides the fair value measurement hierarchy of Company's assets and liabilities:

Quantitative disclosures of fair value measurement hierarchy for financial assets and financial liabilities as at December 31, 2020 and December 31, 2019.

(₹ in Million)

Assets measured at fair value	Fair value measurement using		
	Date	Quoted Price (Level 1)	Total
Investments	<b>December 31, 2020</b>	8.36	<b>8.36</b>
	December 31, 2019	7.01	<b>7.01</b>

There have been no transfers between level 1 and level 2 during the years.

## 37 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company's principal financial liabilities comprises of trade and other payables. The main purpose of these financial liabilities is pursuant to normal operations of the Company. The Company's principal financial assets include trade and other receivables, cash & cash equivalents and other bank balance that it derives directly from its operations.

The Company's business activities are exposed to a variety of financial risks, namely market risk, credit risk and liquidity risk. The Company's overall risk management focuses to minimize potential adverse effects of financial risks.

The Company's senior management has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company's senior management is supported by the Board of Directors that advises on financial risks and the appropriate financial risk governance framework for the Company. This committee provides assurance

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

to the Company's senior management that the Company's financial risk activities are governed by appropriate policies and procedure and that financial risks are identified, measured and managed in accordance with the Company's policies and risk objectives. The Board of Directors reviews and agrees policies for managing each risk, which are summarised as below:

## (a) Market risk :

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, foreign currency risk and commodity risk. Financial instruments affected by market risk include bank deposits, trade receivables, trade and other payables.

Within the various methodologies to analyse and manage risk, Company has assessed risk based on "sensitivity analysis" on symmetric basis. Sensitivity analysis provides an approximate quantification of the exposure in the event that certain specified parameters were to be met under a specific set of assumptions. The risk estimates provided here assume:

The potential economic impact, due to the occurrence of adverse / inverse market conditions and reflects estimated changes resulting from the sensitivity analysis. Actual results that are included in the Statement of profit & loss may differ materially from these estimates due to actual developments in the global financial markets.

The analysis excludes the impact of movements in market variables on: the carrying values of gratuity and provisions.

The following assumption has been made in calculating the sensitivity analysis:

- The sensitivity of the relevant statement of profit or loss item is the effect of the assumed changes in respective market risks. This is based on the financial assets and financial liabilities held as at December 31, 2020 and December 31, 2019.

## Interest rate risk:

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's investment in bank deposits. The interest rates for the tenure of the fixed deposits are fixed. However, with the continuous decrease in the returns on fixed deposits, the income earned on such deposits may change in future based on the interest rates.

**The sensitivity analysis have been carried out based on the exposure to interest rates for bank deposits:**

(₹ in Million)		
	Effect on profit before tax	
	Year Ended December 31, 2020	Year ended December 31, 2019
<b>Interest rate sensitivity</b>		
Increase in interest rates - 0.50%	3.60	3.70
Decrease in interest rates - 0.50%	(3.60)	(3.70)

## Foreign currency risk :

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The Company's foreign currency risk arises out of various imports of raw materials and exports of its finished goods. The Company has a forex policy in place where the objective is to mitigate foreign exchange risk by deploying the appropriate hedging strategies through use of foreign currency forward contracts. The Company follows netting principle for managing the foreign exchange exposure.

The Carrying amounts of the company's foreign currency denominated monetary assets and liabilities based on gross exposure at the end of the reporting Period is given in note no 39. There are no open derivative contracts at the end of the year.

## Foreign currency sensitivity

The following table demonstrates the sensitivity in the USD and EURO to the functional currency of the Company, with all other variables held constant. The Company's exposure to foreign currency changes for all other currencies is not

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

material. There are no forward exchange contracts designated as cash flow hedges and net investment hedges and hence, there is no impact on the Company's pre-tax equity due to changes in the foreign currency rates. The impact on the Company's profit before tax is due to changes in the fair value of monetary assets and liabilities has been given below;

(₹ in Million)

	Effect on profit before tax	
	Year Ended December 31, 2020	Year ended December 31, 2019
<b>USD sensitivity</b>		
USD – Increase by 5%	-	2.00
USD – Decrease by 5%	-	(2.00)
<b>EURO sensitivity</b>		
EURO – Increase by 5%	(1.00)	-
EURO – Decrease by 5%	1.00	-

## Commodity risk :

The Company is expose to the purchase price volatility of commodity i.e. Nickel based on London Metal Exchange. Any material fluctuation in price is expected to have impact on profitability of the company. As a policy, the company keeps safety stock for couple of month to avoid immediate price impact. Further, the company has made arrangement with its large customers to mitigate risk of such price fluctuation built in its future price.

Considering above, the company manages its commodity risk quite successfully and hence the management believes that sensitive disclosure is not required to be given as there are no major impact on profitability of the company.

## (b) Credit risk :

Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company is exposed to credit risk related to operating activities (primarily trade receivables) and from its financing activities, including deposits with banks, foreign exchange transactions and other financial instruments. The Company does not have significant credit risk exposure to any single counterparty.

### Trade receivables

Customer credit risk is managed by each division subject to the established policy, procedures and control relating to customer credit risk management. Credit risk is managed through credit approvals and establishing credit limits. Outstanding customer receivables are regularly monitored. The Company has concentration of credit risk with respect to one customer as at December 31, 2020 i.e. Atul Sugar Screens Private Limited - ₹ 32.04 million (December 31, 2019 ₹ 50.06 million).

The Company has used a practical expedient by computing the expected loss allowance for trade receivable based on historical credit loss experience and adjusted for forward-looking information. The expected credit loss allowance is based on the ageing of the days the receivables are due. The detailed disclosure related to expected credit loss allowance has been given in note no 7.

### Financial Instruments and cash deposits

Credit risk from balances with banks is managed by the Company's finance department. The Company's maximum exposure to credit risk from balance with bank is the carrying value of each class of financial assets disclosed in note 8.

## (c) Liquidity risk :

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company manages its liquidity by ensuring that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses.

The Company maintained a cautious liquidity strategy, with a positive cash balance throughout the year ended December 31, 2020 and December 31, 2019. Cash flow from operating activities provides the funds to service the financial liabilities on a day-to-day basis.

# NOTES TO THE FINANCIAL STATEMENTS

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The Company regularly monitors the rolling forecast to ensure it has sufficient cash on an on-going basis to meet operational needs. Any Short term cash generated, over and above its working capital management and other operational requirement, is retained as cash and cash equivalents (to the extent required) and any excess is invested in term deposits with appropriate maturities to optimise the cash returns on investments while ensuring sufficient liquidity to meet its liabilities.

The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due without incurring unacceptable losses or risking damage to the Company's reputation. The Company ensures that it has sufficient fund to meet expected operational expenses, servicing of financial obligations.

The table below summarises the maturity profile of the Company's financial liabilities based on contractual undiscounted payments.

(₹ in Million)

	Carrying Amount	Within 1 Year	1 to 5 Year	More than 5 Year
<b>As at December 31, 2020</b>				
Trade payables	201.70	201.70	-	-
Other financial liabilities	54.31	54.31	-	-
<b>Total</b>	<b>256.01</b>	<b>256.01</b>	<b>-</b>	<b>-</b>
<b>As at December 31, 2019</b>				
Trade payables	215.02	215.02	-	-
Other financial liabilities	58.34	58.34	-	-
<b>Total</b>	<b>273.36</b>	<b>273.36</b>	<b>-</b>	<b>-</b>

## 38 CAPITAL MANAGEMENT

For the purpose of the Company's capital management, capital includes issued equity capital and all other equity reserves attributable to the equity holders of the Company. The primary objective of the Company's capital management is to ensure that it maintains an efficient capital structure and healthy capital ratios in order to safeguard its ability to continue as a going concern so that they can maximise returns for the shareholders and benefits for other stakeholders. The Company manages its capital structure and makes adjustments in light of changes in economic conditions or its business requirements. The Company maintains a debt free status and regularly declares dividend to its shareholders.

No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2020 and 31 December 2019.

- 39 Company uses foreign currency forward contracts to hedge its risks associated with foreign currency fluctuations. The Company does not use forward contracts for speculative purposes.

Particulars of Unhedged Foreign Currency Exposure as at the Balance Sheet date:

	Currency	Amount in Foreign Currency in Million	(₹ in Million)	Amount in Foreign Currency in Million	(₹ in Million)
		December 31, 2020		December 31, 2019	
Amount Receivable	EURO	0.39	35.04	0.34	27.02
	USD	0.01	0.58	0.48	33.88
Amount Payable	EURO	0.57	51.33	0.26	20.99
	USD	0.03	2.04	0.01	0.90
	CNY*	-	0.04	-	0.04

\* Figure shown as nil due to conversion to ₹ in million.



## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

## 40 DETAILS OF CORPORATE SOCIAL RESPONSIBILITY (CSR) EXPENDITURE

(₹ in Million)

	Year Ended December 31, 2020	Year Ended December 31, 2019
<b>(a) Gross amount required to be spent by the Company during the year</b>		
- CSR obligation for current financial year	8.77	8.59
- Unspent amount of CSR obligation of previous financial year	-	-
- <b>Total CSR obligation</b>	<b>8.77</b>	<b>8.59</b>
<b>(b) Amount spent during the year:</b>		
(i) On purposes of construction / acquisition of any assets:	-	-
(ii) On purposes other than (i) above:	8.77	8.60

## 41 DIVIDEND REMITTED IN FOREIGN CURRENCY

	Year Ended December 31, 2020	Year Ended December 31, 2019
Amount remitted (₹ in Million)	89.00	81.61
Dividend related to financial year	December 31, 2019	December 31, 2018
Number of non-resident shareholders	1.00	1.00
Number of shares	14,83,777	14,83,777

## 42 RESEARCH AND DEVELOPMENT EXPENSES

(₹ in Million)

	Year Ended December 31, 2020	Year Ended December 31, 2019
Capital expenditure	-	-
Revenue expenditure	3.15	3.23
	<b>3.15</b>	<b>3.23</b>

**43** The Company has received a notice from Atul Sugar Screens Private Limited ('Atul') on November 10, 2020 intimating termination of the Contract Manufacturing Agreement which was entered into with the Company in April 2018 for manufacturing the sugar sieves for them. The termination process and procedure are under discussion and finalization including the closing date which shall be such as may be mutually agreed between the parties, which has no financial impact on these financial statement.

**44** The World Health Organisation (WHO) declared the novel Coronavirus (COVID-19) outbreak a global pandemic on March 11, 2020. Consequent to this, Government had declared lockdown on March 23, 2020 and therefore, the Company had to suspend its operations temporarily. COVID-19 impacted the normal business operations of the Company by way of interruption in production, supply chain disruption, closure of production facilities etc. during the lock-down period. However, production and supply of goods recommenced in phased manner from May 20, 2020. The Company has taken necessary precautions to ensure the health, safety and wellbeing of all employees as well as put in place SOPs and guidelines as per state government directives to prevent the spread of COVID-19.

As a result of Covid 19 Pandemic, Textile Industry in India as well as Company's performance was affected. Accordingly, Company's revenue and performance for the year ended December 31, 2020 is lower compared to previous year. Further, the Company has also considered the possible effects that may result on account of COVID-19 and has made detailed assessment of its liquidity position, including recoverability and carrying values of its assets comprising Property, Plant and Equipment, Trade receivables, Inventory and Investments. In developing the assumptions relating to the possible future uncertainties in the economic conditions because of the pandemic, the Company has at the date of approval of these financial statement, used external and internal sources of information/ indicators to estimate the future performance of the Company. Based on the current status, the management has concluded that there are no other adjustments required in the financial statement. Given the uncertainties because of COVID-19, the final impact on the company's assets in future may differ from that estimated as at the date of approval of these financial statement. The Company will continue to closely monitor any material changes arising of future economic conditions and impact on its business.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

## 45 EVENTS OCCURRED AFTER BALANCE SHEET DATE:

Board of Directors have recommended the dividend of ₹ 22 per equity share having face value of ₹ 10 each ( 220%) for the financial year ended December 31, 2020, which is subject to approval of the members at their annual general meeting.

## 46 PREVIOUS YEAR FIGURES:

Previous year figures have been regrouped /reclassified whenever necessary to conform this year's classification. The financial statements for the previous year were audited by a firm of Chartered Accountants other than S R B C & Co. LLP.

As per our report of even date

**For S R B C & CO LLP**

Chartered Accountants

ICAI Firm Registration No.: 324982E/E300003

**per Sukrut Mehta**

Partner

Membership No. 101974

Place : Ahmedabad

Date : February 26, 2021

For and on behalf of the Board of Directors

**Stovec Industries Limited**

**K. M. Thanawalla**

Chairman

(DIN: 00201749)

**Paras Mehta**

Chief Financial Officer

Place : Ahmedabad

Date : February 26, 2021

**Shailesh Wani**

Managing Director

(DIN: 06474766)

**Sanjeev Singh Sengar**

Company Secretary

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# NOMINATION FORM

[Pursuant to Section 72 of the Companies Act, 2013 and rule 19(1) of the Companies (Share Capital and Debentures) Rules 2014]

To,  
The Members,  
**Stovec Industries Ltd.**  
N.I.D.C. Nr. Lambha Village,  
Post: Narol, Ahmedabad – 382 405, Gujarat, India.

I/We \_\_\_\_\_ the holder(s) of the securities particulars of which are given hereunder wish to make nomination and do hereby nominate the following person(s) in whom shall vest, all the rights in respect of such securities in the event of my/our death.

## (1) Particulars of the Securities (in respect of which nomination is being made)

Nature of Securities	Folio No.	No. of Securities	Certificate No.	Distinctive No.

## (2) Particulars of Nominee/s

- (a) Name : \_\_\_\_\_
- (b) Date of Birth : \_\_\_\_\_
- (c) Father's/Mother's/Spouse Name : \_\_\_\_\_
- (d) Occupation : \_\_\_\_\_
- (e) Nationality : \_\_\_\_\_
- (f) Address : \_\_\_\_\_
- (g) E-mail id : \_\_\_\_\_
- (h) Relationship with the security holder : \_\_\_\_\_

## (3) In case Nominee is a Minor

- (a) Date of birth : \_\_\_\_\_
- (b) Date of attaining majority : \_\_\_\_\_
- (c) Name of guardian : \_\_\_\_\_
- (d) Address of guardian : \_\_\_\_\_

## (4) Particulars of Nominee in case minor nominee dies before attaining age of majority

- (a) Name : \_\_\_\_\_
- (b) Date of Birth : \_\_\_\_\_
- (c) Father's/Mother's/Spouse's Name : \_\_\_\_\_
- (d) Occupation : \_\_\_\_\_
- (e) Nationality : \_\_\_\_\_
- (f) Address : \_\_\_\_\_
- (g) E-mail id : \_\_\_\_\_
- (h) Relationship with the security holder : \_\_\_\_\_
- (i) Relationship with the minor nominee : \_\_\_\_\_

Name and Address of the Shareholder(s): \_\_\_\_\_

Signature of the Shareholder(s): \_\_\_\_\_

Name and Address of Witnesses: \_\_\_\_\_

Signature of Witnesses: \_\_\_\_\_

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**BANK ACCOUNT PARTICULARS / ECS / NACH MANDATE FORM**

I/We \_\_\_\_\_ do hereby authorise Stovec Industries Limited to :

- Print the following details on my/our dividend warrant.
- Credit my dividend amount directly to my Bank account by ECS/NACH. (Strike out whichever is not applicable)

My/our Folio No. \_\_\_\_\_ DP ID No. : \_\_\_\_\_ Client A/c No. \_\_\_\_\_

**Particulars of Bank Account :**

- A. Bank Name
- B. Branch Name, Address (for Mandate only)
- C. 9 DIGIT Code number of the Bank & Branch as appearing on the MICR cheque
- D. Account Type (Saving/Current)
- E. Account No. as appearing on the cheque book
- F. STD Code & Telephone No.

I/We shall not hold the Bank responsible if the ECS/NACH could not be implemented or the Bank discontinue(s) the ECS/NACH, for any reason.

Mail to :

Link Intime India Private Limited

5<sup>th</sup> Floor, 506 to 508, Amarnath Business Center-I (ABC-I),

Besides Gala Business Center, Nr. St. Xavier's College Corner,

Off. C.G. Road, Navrangpura, Ahmedabad – 380 009, Gujarat.

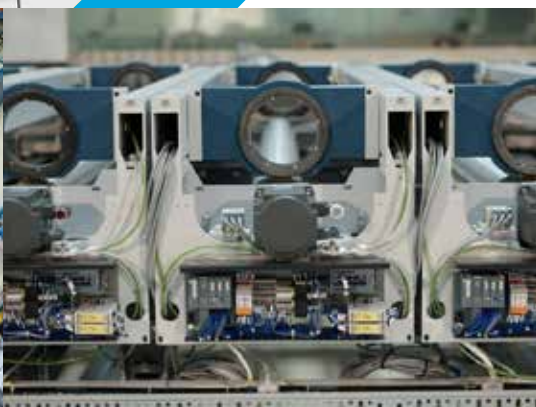
\_\_\_\_\_  
(Signature of the Shareholder)

Please attach the copy of a cheque or a blank cancelled cheque issues by your Bank relating to your above account for verifying the accuracy of the 9 digit code number.

In case you are holding shares in demat form, kindly advise your Depository Participant to take note of your Bank account particulars/ ECS/NACH mandate.



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The background features a large, stylized 'S' shape composed of blue and yellow geometric blocks. Diagonal yellow lines are present in the top-right and bottom-left corners. The company name is centered in the lower half of the page.

# **STOVEC<sup>®</sup>** INDUSTRIES LIMITED

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Website: [www.stovec.com](http://www.stovec.com)

CIN: L45200GJ1973PLC050790