

# SINNAR BIDI UDYOG LIMITED.

## DIRECTORS' REPORT (Pursuant to section 134 (3) of Companies Act, 2013)

Dear Shareholders,

Your directors are pleased to present the 44<sup>th</sup> Annual Report on the business and operations of your Company together with the financial statements for the year ended 31<sup>st</sup> March, 2018

### 1. Corporate Overview:

Sinnar Bidi Udyog Ltd (“Your Company” or “The Company”) is engaged in the activity of trading of Tobacco and processing of Tobacco. The Company has its corporate head office at Nashik.

### 2. Financial Results:

The financial results for the Financial Year 2017-18 is as under: -

Particulars	F.Y. 2017-18	F.Y. 2016-17
Net Sales	797.42	870.56
Other Income	3.54	2.45
Total Income	800.96	873.01
Manufacturing & other Expenses	818.94	869.18
Profit Before Tax & extraordinary items	(17.98)	3.83
Exceptional & extraordinary items	-	-
Profit / (Loss) after exceptional & extraordinary items	(17.98)	3.83
Current and Deferred Tax	(4.11)	3.34
Profit / (Loss) After Tax	(13.87)	0.49
Other Comprehensive Income	7.63	-
Profit / (Loss) After Other Comprehensive Income	(6.24)	0.49

### 3. Business Operations:

The Company's working for the year resulted in loss, as seen from the above summary. The activities carried on by the Company were trading of Tobacco and processing of Tobacco. The sales turnover from these activities reduced during the financial year 2017-18 to Rs.797.42 lacs from Rs. 870.56 lacs of the previous financial year. There has been downward trend in the turnover of the Company since past two years. This is mainly attributed to the basic nature of the industry in which the company operates. The market situation at present and also near future is not conducive to the tobacco products in which the company deals. The Company has to face business slowdown in addition to the stringent regulations on the tobacco industry.

### 4. Dividend:

In absence of profits, the directors regret their inability to recommend any dividend.

**5. Amount carried to the reserves:**

No amounts are proposed to be transferred to the reserves.

**6. Change in the nature of the Business:**

During the year under consideration, the company has not made any changes in the nature of its business.

**7. Status of Company's Affairs:**

During the year, there was no change in the status of the company. The company is a listed entity and going concern. The shares of the Company continue to be listed on the Bombay Stock Exchange only.

**8. Significant and Material Orders passed:**

There were no significant and Material orders passed by any regulators, courts or tribunals which have an impact of affecting the company's going concern status and operation of the company in the Future.

**9. Material Changes and Commitments:**

There are no material changes or commitments affecting the financial position of the Company occurring between the end of the Balance Sheet Date and the date of this report.

**10. Board of Directors:**

The Composition of Board of Directors of the Company is in accordance with the Companies Act 2013. During the year there were no changes in composition of the Board.

**11. Key Managerial Personnel:**

The following are the Key Managerial Personnel of the Company:

1. Mr. Madhav D. Deshpande: Chairman, Whole Time Director, CFO
2. Mr. Sushil S Laddha: Company Secretary

**12. Meetings of Directors:**

During the financial year 2017-18, the Board of Directors of the Company met 6 times on 29<sup>th</sup> May 2017, 1<sup>st</sup> August, 2017, 12<sup>th</sup> August 2017, 13<sup>th</sup> November, 2017, 14<sup>th</sup> February 2018 and 24<sup>th</sup> March 2018. The maximum interval between any two meetings did not exceed 120 days. The details of attendance of Directors for Board as well as Committee meetings is attached to Boards Report as *Annexure- 1*. The Company has complied with the applicable Secretarial Standards issued by the Institute of Company Secretaries of India.

**13. Audit Committee:**

The Audit Committee Comprises of three Directors namely Mr. Dhanpal Shah (Independent Director), Mr. Rajendra Tatiya (Independent Director) and Mr. Madhav Deshpande (Whole Time Director and Chief Financial Officer).

The audit committee duly met 4 times on 29<sup>th</sup> May, 2017, 12<sup>th</sup> August, 2017, 13<sup>th</sup> November, 2017 and 14<sup>th</sup> February, 2018.

The Board has accepted all the recommendations of Audit Committee.

**14. Nomination and Remuneration Committee:**

The Nomination and Remuneration Committee comprises of Mr. Bhausaheb Pawar, Ms. Bharati Sancheti, Mr. Dhanpal Shah and Mr. Rajendra Tatiya.

**15. Stakeholders Relationship Committee:**

The committee comprises of Ms. Bharati Sancheti and Mr. Bhausaheb Pawar.

The committee met on 10<sup>th</sup> April, 2017.

**16. Meeting of Independent Directors:**

The Separate meeting of Independent Directors of the Company was held on 24<sup>th</sup> March 2018 in terms of Schedule IV of the Companies Act 2013.

**17. Code of conduct for Board Members and Senior Managerial Personnel:**

The company has framed a code of conduct for all the Board members and senior management of the company. All the Board members and senior managerial personnel affirm the compliance with the code on annual basis.

**18. Directors retiring by rotation and re-appointment:**

In terms of provisions of section 152(6)(a) of the Companies Act, 2013, director Mr. Laxminarayan Mohanlal Karwa retires by rotation at the forthcoming Annual General Meeting and being eligible, offers himself for re-appointment. The Board recommends his re-appointment at the ensuing Annual General Meeting.

**19. Declaration by Independent Directors:**

The Company has received the Declarations from its Independent Directors pursuant to section 139(7) to the effect that they meet the criteria of Independence and the same is duly recorded in the first Board meeting held in the financial year.

**20. Familiarisation programme for Independent Directors:**

The company has conducted familiarisation programme for the independent directors. The company while formalising the program, ensured that the independent directors get familiarised with the company, their roles, rights, responsibilities in the company, nature of the industry in which the company operates and business model of the company.

**21. Vigil Mechanism/ Whistle Blower Policy:**

The Company has established a vigil mechanism policy for the directors and its employees to report genuine concerns about the illegal and unethical practices and behaviour, actual or suspected fraud or the violation of the Company's Code of Conduct or the ethics policy without fear of reprisal, and hence to help ensure that the Company continues to uphold its high standards. The said policy is posted on the website of the Company. The Policy is established under section 177(10) of the Companies Act, 2013.

**22. Remuneration of Directors and employees:**

The disclosures as required under section 197 of the Companies Act, 2013 and rule 5 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 are provided in *Annexure – 2*.

**23. Nomination and Remuneration Policy:**

The Board of Directors has framed a policy which lays down a framework in relation to remuneration of Directors, Key Managerial Personnel and Senior Management of the Company. The salary payable to the WTD and CFO and Company Secretary is as per the Nomination and Remuneration Policy. This policy also lays down criteria for selection and appointment of Board Members and annual evaluation of the performance of every director of the Company. The same is attached to the Board's Report as *Annexure-3*.

**24. Risk Management Policy:**

Risk management is embedded in your Company's operating framework. Your Company believes that managing risks helps in maximizing returns. The Board has formulated a risk management policy for the company, identifying the areas of risk for the Company and the same has been implemented.

**25. Formal Annual Evaluation of performance of Board, its Committees and the individual Directors:**

Pursuant to the provisions of the Companies Act, 2013 and the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, a structured questionnaire was prepared after taking into consideration the various aspects of the Board's functioning, composition of the Board and its Committees, culture, execution and performance of specific duties, obligations and governance. The performance evaluation of the Independent Directors was completed during the year under review.

The nomination and remuneration policy lays down the criteria for formal annual evaluation of the performance of the Board and the individual directors. The performance evaluation of the Chairman and the Non-Independent Directors was carried out by the Independent Directors and Non-Executive Directors. The Board of Directors expressed their satisfaction with the evaluation process.

Accordingly the company has evaluated the performance of the Board and the individual directors.

**26. Disclosure regarding the receipt of commission by the Managing Director, Whole Time Director from the company, its holding or subsidiary company:**

The Whole Time Director does not receive any commission from the company or its associate companies.

**27. Ratification of Appointment of Statutory Auditors:**

As per the provisions of Section 139 of the Companies Act 2013, the term of office of S. D. Bedmutha, Chartered Accountants, Nashik, as Statutory Auditors of the Company will conclude from the close of the forthcoming Annual General Meeting i.e. from the conclusion of 44<sup>th</sup> Annual General Meeting of the Company.

Subject to the approval of the Members, the Board of Directors of the Company recommends the appointment of Sabadra and Sabadra, Chartered Accountants, Nashik (Firm Regn.No. 108921W) as the Statutory Auditors of the Company pursuant to Section 139 of the Companies Act, 2013.

Members' attention is drawn to a Resolution proposing the appointment of Sabadra and Sabadra, Chartered Accountants, Nashik (Firm Regn.No. 108921W) as Statutory Auditors of the Company which is included at Item No. 3 of the Notice convening the Annual General Meeting.

**28. Statutory Audit Report:**

There are no adverse comments or remarks in the Statutory Audit Report provided by Mr. S. D. Bedmutha, Chartered Accountant, Nashik, which require clarification from the directors.

**29. Secretarial Audit Report:**

Pursuant to the provisions of Section 204 of the Companies Act, 2013 and rules made thereunder, the Board has appointed M/s JHR & Associates, Company Secretaries, Thane, to undertake the Secretarial Audit of the Company. The Secretarial Audit Report in form MR-3 is attached to the Board's Report. There is no secretarial audit qualifications for the year under review.

**30. Cost Audit:**

The provisions for audit of the cost records were not applicable to the Company during the financial year ended 31<sup>st</sup> March 2018.

**31. Corporate Social Responsibility:**

The provisions of section 135 of the Companies Act, 2013 regarding the Corporate Social Responsibility are not applicable to the company. However, the Board of Directors recognize the Company's Social obligations and may incur the expenses on CSR activities voluntarily, whenever they deem fit.

**32. Extract of Annual Return:**

The Extract of Annual Return as prescribed under section 92(3) of Companies Act, 2013 is annexed to the Boards Report in Form MGT-9 as *Annexure-4*.

**33. Directors' Responsibility Statement:**

To the best of knowledge and belief and according to the information and explanations obtained by them, your Directors make the following statement in terms of Section 134(3)(c) of the Companies Act, 2013:

- i. that in the preparation of the Annual Accounts for the year ended March 31, 2018, the applicable accounting standards have been followed along with proper explanation relating to material departures, if any;
- ii. the directors had selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at March 31, 2018 and of the profit of the Company for the year ended on that date;
- iii. the directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- iv. the annual accounts have been prepared on a going concern basis;
- v. that the Directors had laid down internal financial controls to be followed by the Company and that such internal financial controls are adequate and were operating effectively; and
- vi. that the Directors had devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

**34. Loans, Guarantees and Investments:**

The Company has not given any loans or guarantee or provided security in connection with loan to any other body corporate or persons as governed under the provisions of section 186 of the Companies Act, 2013. The Company has neither acquired nor purchased any securities of any other body corporate during the financial year.

**35. Related Party Transactions:**

All transactions entered with Related Parties for the year under review were on arm's length basis and in the ordinary course of business and that the provisions of Section 188 of the Companies Act, 2013 and the Rules made thereunder are not attracted.

All related party transactions are mentioned in the Financial Statements. The Company has developed a framework through Standard Operating Procedures for the purpose of identification and monitoring of such Related Party Transactions.

The statement of related party transaction is attached to the Board Report in form AOC-2 as *Annexure-5*.

**36. Subsidiary, Associates and Joint Venture Companies;**

The Company has two associate companies:

1. Vidarbha Bidi Limited
2. Tip Top Health Zone Private Limited.

None of the other companies became the subsidiary, joint venture, or Associates companies of the company nor they ceased to be its subsidiary, joint venture or associate. The details of investments held in Associate Companies is annexed to the Board Report in form AOC-1 as *Annexure-6*.

**37. Conservation of Energy, Technology, Foreign Exchange Earnings and Outgo:**

The Company has taken steps for conservation of energy at its processing plant and office premises. The activities of the Company offer less scope for absorption of Technology.

There was no foreign exchange earning or outgo during the financial year under consideration.

**38. Deposits:**

The company has not accepted any deposits in the financial year either from Members or public in terms of section 73 and 76 of the Companies Act 2013.

**39. Internal Complaints Committee:**

The Internal Complaints Committee constituted under Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013, has not received any cases/ compliants during the year.

**40. Internal Financial Control with reference to financial Statements:**

Your Company has an effective internal control system, which is constantly assessed and strengthened with new/revised standard operating procedures. The Audit Committee of the Company actively reviews the adequacy and effectiveness of the internal control systems and suggests improvements to strengthen the same.

**41. Corporate Governance:**

As per the Regulation 15(2) of the SEBI (LODR) Regulations 2015, as the paid up equity share capital and Net worth of the Company is less than the limits mentioned in the regulations, compliance under Regulation 27(2) of the SEBI (LODR) Regulations, 2015 is not applicable to the Company.

As such, the requirement for submitting report on Corporate Governance is not applicable to the Company and hence it does not form a part of this report.

**42. Appreciation:**

Your Directors wish to place on record their appreciation, for the contribution made by the employees at all levels but for whose hard work and support, your Company's achievements would not have been possible. Your Directors also wish to thank its customers, dealers, agents, suppliers, investors and bankers, Government and Non Government Authorities for their continued support and faith reposed in the Company.

**For and on Behalf of Board of Directors**

**Sinnar Bidi Udyog Limited**

**Madhav D. Deshpande**

**Chairman, Whole Time Director and CFO**

**DIN: 00238917**

**Date: 20<sup>th</sup> July 2018**

**Place: Nashik**